

Petroleum Act 1998

THE SECRETARY OF STATE FOR TRADE AND INDUSTRY

and

TEXACO NORTH SEA U.K. COMPANY

LICENCE

to search and bore for and get petroleum
in block(s) 213/26, 213/27

This Licence, made the 1st day of August 2001 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 the companies listed at Schedule 7 of the other part, witnesseth as follows:-

**Incorporation of
Model 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 **1st June 2001** being inserted therein as the date on 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 described in Schedule 1 to this Licence being the area comprising block(s) **213/26, 213/27** 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 second alternative version of clause 38 and paragraphs (1) and (2A) and (3A) 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 restrictions and conditions indicated in Schedule 5, and set out at length in Schedule 6, shall apply in relation to each block.

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).

SCHEDULE 1

Description of Licensed Area

Block 213/26 is bounded by the following co-ordinates:

- (1) 61° 10' 00.000"N 3° 57' 33.797"W
- (2) 61° 10' 00.000"N 3° 48' 00.000"W
- (3) 61° 00' 00.000"N 3° 48' 00.000"W
- (4) 61° 00' 00.000"N 4° 00' 00.000"W
- (5) 61° 07' 07.365"N 4° 00' 00.000"W

Thence by a line following the 'Designated Continental Shelf Boundary' as detailed in document 'The Continental Shelf (Designation Of Areas) Order 1999':

Until co-ordinate:

- (6) 61° 10' 00.000"N 3° 57' 33.797"W

The above co-ordinates were specified using 'European Datum 1950'.

Block 213/27 is bounded by the following co-ordinates:

- (1) 61° 10' 00.000"N 3° 48' 00.000"W
- (2) 61° 10' 00.000"N 3° 36' 00.000"W
- (3) 61° 00' 00.000"N 3° 36' 00.000"W
- (4) 61° 00' 00.000"N 3° 48' 00.000"W
- (5) 61° 10' 00.000"N 3° 48' 00.000"W

The above co-ordinates were specified using 'European Datum 1950'.

- (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 1998 and 1999. 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 sub-paragraph (1) above.
- (d) The Minister shall not make a biennial determination increasing or reducing the amounts payable where that increase or reduction would be 5% or less of the levels set following the previous biennial determination.
- (3) In this Schedule "the area factor" means the number of square kilometres comprised in the licensed area at the date upon which the periodic payment in question becomes due.

SCHEDULE 3

The appropriate percentage

For the purposes of this Licence the appropriate percentage (as defined in clause 10(1)) means 12½ per centum.

SCHEDULE 4

Initial term working obligations

The Licensee shall, in respect of the licensed area:

Block 213/26 and Block 213/27

Firm commitments

Reprocess 3D seismic data covering 394km² using Pre-Stack Depth Migration;

Reprocess 3D seismic data covering 394km² using AVA inversion;

Drill-or-drop commitments

Notwithstanding Clause 3 of the Model Clauses, as referred to in clause B above, this Licence shall terminate three years after the date set out in clause B above, unless the Licensee has, on or before that date, submitted an application to drill one well to 3700m or base Jurassic, whichever is the shallower; and, if approval is granted, the Licensee shall drill the said well within the Initial Term of this Licence.

SCHEDULE 5

Block-specific restrictions and conditions

Such of the restrictions and conditions set out at length in Schedule 6 shall apply in respect of each block as indicated below:

Block 213/26: Provisions A1, A2, A4, B1, B2, B4, B5, B6, C1, D3, D4, D6, D8, D10, D12, D14, D15, D18, D19i, D19ii, D19iv, F1, F2, F3, F7.

Block 213/27: Provisions A1, A2, B1, B2, B4, B5, B6, C1, D3, D4, D6, D8, D10, D12, D14, D15, D18, D19i, D19ii, D19iv, F1, F2, F3, F7.

SCHEDULE 6

Restrictions and conditions¹

A - General

- A1 No drilling rigs or permanent surface structures will be permitted to be sited directly on any "relevant site" as defined by the Offshore Petroleum Activities (Conservation of Habitats) Regulations 2001 (SI 2001/1754). [DTI]
- A2 The Licensee will have to demonstrate through an Environmental Statement, to the satisfaction of the Secretary of State, that the operations proposed present no significant risk to the conservation objectives of any "relevant site" as defined by the Offshore Petroleum Activities (Conservation of Habitats) Regulations 2001 (SI 2001/1754). [DTI]
- A3 All drilling cuttings other than top (open) hole shall be shipped to shore, unless an alternative disposal option has received prior approval in writing from the Secretary of State. Top-hole cuttings will be minimised where possible. [DTI]
- A4 When submitting any application for a consent to a development which crosses the maritime boundary between UK and Faroe Islands, the Licensee should have regard to Article 2 of the UK/Faroese Delimitation Agreement which provides that both the UK and Faroese Governments may enter into a further agreement governing the exploitation of that resource. [DTI]

B - Environmental/Seismic and Drilling

- B1 Prior to prospecting or carrying out geological surveys by physical or chemical means (surveys, including seismic surveys) or drilling for the purpose of obtaining geological information about strata (boreholes) the Licensee will require a consent. Unless otherwise agreed, an application for a survey or borehole consent shall be submitted at least 28 days in advance of the proposed date on which the survey or borehole is to commence. [DTI]
- B2 Seismic surveys, excluding all borehole seismic (for example Vertical Seismic Profiling), shall be conducted in accordance with the most recently published guidelines published by the Joint Nature Conservation Committee. [JNCC]
- B3 Licensees should note that they may be required under Article 6 of the UK/Faroese Delimitation Agreement to take a fishery representative onboard any vessels carrying out seismic surveys. [DTI]
- B4 At least 30 days prior to making a request for a consent for the commencement of any survey or borehole or making a request for a well consent in accordance with the model clauses, the Licensee shall consult with regard to the operations proposed-

¹ The acronyms appended to clauses in this Schedule indicate the clause's proposer in each case: "DTI" is the Department of Trade & Industry's Oil & Gas Environmental & Decommissioning Branch; "JNCC" is the Joint Nature Conservation Committee; "SEERAD" is the Scottish Executive Environment and Rural Affairs Department; "MoD" is the Ministry of Defence; and "DTLGR" is the Department of Transport, Local Government and the Regions.

- Scottish Executive Environment and Rural Affairs Department (Fisheries Research Services - Marine Laboratory).
- the Joint Nature Conservation Committee;
- any organisation which the fisheries liaison officer consults in accordance with **Condition F1**;
- where the Licensee proposes to drill a well, the local authorities which the Licensee consulted prior to agreeing an oil spill contingency plan;

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 survey (including seismic) activity (see **Note 1** below). [SEERAD]

B5 Unless otherwise agreed, an application for a well consent shall be submitted at least 90 days in advance of the proposed date on which drilling is to commence. An Environmental Statement (ES) shall accompany every application for a well consent. The ES shall include a detailed description of:

- the means of positioning the drilling rig/vessel; and
- measures taken to minimise environmental impacts from drilling operations, particularly regarding disposal of drilling cuttings and fluids. (see **Notes 1** and **2** below). [DTI]

B6 The Licensee shall only use and discharge offshore chemicals that are listed under the Offshore Chemical Notification Scheme or under any such mechanism as might give the same effect. The Licensee shall provide the Secretary of State with details of the amount of chemicals used and discharged at the completion of each well and provide details quarterly of any discharges of chemicals from production installations or pipe-lines (see **Note 1** below). [DTI/SEERAD]

Notes:

- 1** 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 survey, borehole or well consent requested and whether to make that consent conditional.
- 2** The Secretary of State may impose conditions on the well consent which will require the Licensee to transfer spent or unused muds, cuttings or any well test materials to shore for disposal.

C - Oil spills

C1 Before commencing any drilling or development activity carried out under the Licence, the Licensee shall ensure that there is in place an oil spill contingency plan that has been approved in writing by the Secretary of State as required by the Merchant Shipping (Oil Pollution, Preparedness, Response and Co-operation Convention) Regulations 1998 (SI 1998/1056). Such a plan, or associated Environmental Statement, must contain detailed reference to measures being taken to minimise risk of spillage during operations. Any oil spill contingency plan or Environmental Statement will include an assessment of the cumulative oil spill risk and the Secretary of State shall consider such an assessment in determining whether to grant approval of field development. [JNCC]

D - Defence and National Security Matters

- D3** The Licensee shall give the Ministry of Defence six months' prior notice of any installation movements within the block. [MoD]
- D4** The Licensee shall give the Ministry of Defence six months' prior notice of any seismic survey within the block. [MoD]
- D6** The Licensee shall conduct its operations under the license from one installation within the licensed area unless either -
- a further installation or installations are permitted by a consent to development granted by the Secretary of State in accordance with the terms of the Licence; or
 - the Licensee has, after consultation with the Ministry of Defence, obtained the consent of the Secretary of State to the use of a further installation or installations. [MoD]
- D8** If the Secretary of State notifies the Licensee that he shall not maintain more than one installation within a specified area or areas within the block, the Licensee shall comply with that notification. [MoD]
- D10** The Licensee shall ensure that support vessels and aircraft do not enter the block except during such times as may be specified by the Secretary of State. [MoD]
- D12** If the Secretary of State notifies the Licensee that access of surface vessels, sub-surface vessels or aircraft to a specified area or areas within the block is prohibited, the Licensee shall comply with that prohibition. [MoD]
- D14** The Licensee shall, at its own expense, install and maintain underwater sonar beacons, to Ministry of Defence specifications, on any silent sub sea structures within the block. There is no requirement to fit such beacons to standard oilrigs. [MoD]
- D15** If the Secretary of State notifies the Licensee that specified radio frequencies may not be used within the block, the Licensee shall not use such frequencies. [MoD]
- D18** The Licensee shall submit to the Secretary of State details of the ownership of any installation or seismic vessel from which operations within the block are to be conducted. The Secretary of State may restrict or prohibit the use of any installation or seismic vessel in the block if it appears to him, after consultation with the Ministry of Defence, that by virtue of its ownership the use of the installation or vessel in the block is incompatible with national security and the Licensee shall observe any restriction or prohibition imposed. [MoD]
- D19i** The Licensee shall consult the Ministry of Defence at least 3 months prior to making a request for a well consent in accordance with the model clauses and inform the Secretary of State in writing of the result of those consultations (see **Note 3** below). [MoD]
- D19ii** Prior to commencing any exploratory drilling, the Licensee shall consult the Ministry of Defence to determine a 90-day period for the drilling to take place and shall notify the Secretary of State of the result of those consultations. The Licensee shall not commence drilling without the prior consent of the Secretary of State. Unless the Secretary of State agrees otherwise, the exploratory drilling shall be completed within the 90-day period notified to the Secretary of State. [MoD]

D19iv Exploratory drilling shall be completed within 90 days after the date of commencement. No exploratory drilling shall be permitted after this date unless the Secretary of State agrees otherwise, after consultation with the Ministry of Defence. [MoD]

Notes:

- 1 The Secretary of State may require the Licensee's installations to be moved at very short notice in times of tension or war.
- 2 The high density of supersonic flying in the area may affect some installation's operations.
- 3 **Condition D19i** has been applied because all or part of the block lies within an area of Ministry of Defence activity. The Secretary of State will take into account the notification made by the Licensee in accordance with this condition when determining whether to grant any well consent requested and whether to make that consent conditional.

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:
- consult the Scottish Executive Environment and Rural Affairs Department and the organisations which represent the local fishing industry about the sea routes to be used by supply vessels;
 - 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;
 - ensure that the agreed routes are used unless safety of navigation or security of cargo considerations dictate otherwise; and
 - 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. [SEERAD]
- 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. [SEERAD]
- F3** Claims for damage to or loss of gear or loss of fishing time arising from reported debris shall be dealt with promptly by the Licensee. [SEERAD]

- F7** The Licensee shall consult the Department of Transport, Local Government and the Regions (DTLGR) as early as possible prior to making a request for a well consent in accordance with the model clauses and **Condition B5** above. The Secretary of State may require the Licensee to assist with shipping surveys in the area in order to determine any potential obstruction from a proposed drilling location. At least 30 days prior to making a request for a well consent in accordance with the model clauses, the Licensee shall submit a report to the Secretary of State detailing the result of the consultations that it has undertaken in accordance with this condition (see **Note 1** below). [DTLGR]

Note:

1 **Condition F7** has been applied because DTLGR has limited information about shipping in this area on which to judge the potential obstruction to navigation from installations. 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.

SCHEDULE 7

Companies

Texaco North Sea U.K. Company (Company Number: FC005494), 1013 Center
Road, Wilmington, Delaware, USA 19805

EXECUTION PAGE

In witness whereof, these presents typewritten on this and the preceding pages are executed follows:-

SEALED WITH THE SEAL OF THE SECRETARY OF STATE FOR TRADE AND INDUSTRY

Signed for and on behalf of TEXACO NORTH SEA U.K. COMPANY

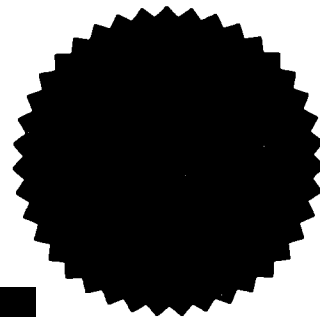
By [REDACTED] (Full Name) [REDACTED] Director (Signature)

[REDACTED] (Full Name) [REDACTED] Director (Signature)

at [REDACTED] on [REDACTED]

SECOND EXECUTION PAGE

SEALED WITH THE SEAL OF
THE SECRETARY OF STATE
FOR TRADE AND INDUSTRY



and subscribed by (signature):

(full name)

being an officer of the said Secretary of State on 1st August 2001

Witness:

Full name:

Address: DTI, 1 Victoria Street, London SW1H 0ET