Petroleum Act 1998

SEAWARD PRODUCTION LICENCE

THE SECRETARY OF STATE FOR TRADE AND INDUSTRY

and

STERLING RESOURCES (UK) LIMITED

LICENCE
to search and bore for and
get petroleum in block(s)
42/13

This Licence, made the FIFTEENTH day of MARCH 2005. between the Secretary of State for Trade and Industry, on behalf of Her Majesty, of the one part and the companies listed in Schedule 4 of the other part, witnesseth as follows:-

Part 1 – 'Model Clauses'

Interpretation, etc.

1.—(1) In the following clauses, the following expressions have the meanings hereby respectively assigned to them, that is to say:

"the Act" means the Petroleum Act 1998;

"Block" means an area comprised in this licence which is delineated on the reference map deposited at the principal office of the Department of Trade & Industry and to which a reference number was assigned at the date of this licence;

"Development Scheme" has the meaning assigned thereto by clause 23;

"Fragmented Licensed Area" means a Licensed Area consisting in two or more areas any one or more of which is separated from the others;

"Half Year" means the period from 1st January to 30th June in any year and the period from 1st July to 31st December in any year;

"Initial Licensed Area" means the area described in Schedule 1 to this licence on the date it was granted;

"Initial Term" means the period of four years beginning on **1 December 2004;**

"the Licensed Area" means the area for the time being in which the Licensee may exercise the rights granted by this licence;

"the Licensee" means the person or persons to whom this licence is granted, his personal representatives and any person or persons to whom the rights conferred by this licence may lawfully have been assigned;

"the Minister" means the Secretary of State for Trade & Industry;

"Oil Field" has the meaning assigned thereto by clause 23;

"Petroleum" includes any mineral oil or relative hydrocarbon and natural gas existing in its natural condition in strata but does not include coal or bituminous shales or other stratified deposits from which oil can be extracted by destructive distillation;

"Production Period" means, in circumstances governed by sub-paragraphs (3)(a) – (c) inclusive of clause 5, a period of 18 years and, in circumstances governed by sub-paragraph (3)(d) or paragraph (4) of clause 5, such period or periods of not more than 18 years in aggregate as the Minister shall prescribe;

"Second Term" means a period of four years following expiry of the Initial Term.

"Section" means a part of a Block comprising an area bounded by minute lines of latitude and longitude one minute apart respectively;

"Well" includes borehole;

"Work Programme" means the programme set forth in Schedule 3 to this licence.

(2) Any obligations which are to be observed and performed by the Licensee shall at any time at which the Licensee is more than one person be joint and several obligations.

Grant of Licence

2. In consideration of the payments hereinafter provided for 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 Act 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 more particularly described in Schedule 1 to this licence being the area comprising Block(s) **42/13** on the reference map deposited at the principal office of the Department of Trade and Industry 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 granted under any such methane drainage licence.

Term of Licence

3.—(1) This licence unless sooner determined under any of the provisions hereof shall be and continue for the Initial Term.

(2) This licence shall, unless the Minister in any particular case decides otherwise, automatically cease and determine on the second anniversary of the date of commencement of the Initial Term in the event of failure by the Licensee on or before such anniversary to:

(a) take the action described in Part I of the Work Programme; and

(b) undertake to complete on or before expiry of the Initial Term the work described in Part II of the Work Programme.

(3) Subject to paragraph (2) above, upon expiry of the Initial Term this licence shall, provided always that its terms and conditions continue to be performed and observed, be and continue in force as follows:

(a) subject to clauses 4 and 8, for the Second Term; and

(b) subject to clause 5, for the Production Period.

Option to continue Licence into a Second Term

4.—(1) This clause 4 shall apply subject to the requirements of clause 8.

(2) At any time not later than 1 month before the expiry of the Initial Term the Licensee may:

(a) subject to payment of those sums hereinafter provided for and to performance of the terms and conditions herein contained including, without limitation, those conditions set forth in paragraph (3) of this clause; and

(b) conditional upon due performance by the Licensee of the Work Programme on or before expiry of the Initial Term

give notice in writing to the Minister in the manner hereinafter provided that he desires this licence to continue in force in relation to part of the Licensed Area (hereinafter called "the Continuing Part").

(3) Where the Licensee gives notice to the Minister in accordance with paragraph (2) of this clause such notice must indicate that he will determine this licence in relation to such part of the Licensed Area as shall be described by the Licensee in the notice (hereinafter called "the Surrendered Part") in accordance with the requirements of paragraph (4) of this clause.

(4) Subject to paragraph (5) of this clause, the Surrendered Part must consist in an area which, when taken together with any one or more areas previously surrendered in accordance with clause 7 hereof, constitutes no less than half of the Initial Licensed Area.

(5) The Licensee shall not be obliged to surrender so much of the Licensed Area that following such surrender the Licensed Area comprises less than thirty Sections.

(6) Any notice served in accordance with paragraph (1) of this clause shall specify a date not later than expiry of the Initial Term on which the Surrendered Part is to be surrendered.

(7) This licence shall upon the option conferred by this clause being duly exercised but subject to the provisions of clause 3 of this licence continue in respect of the Continuing Part for the Second Term.

Option to continue the Licence after the Second Term

5.—(1) At any time not later than three months before the expiry of the Second Term the Licensee may, subject to payment of those sums hereinafter provided for and to performance of the terms and conditions herein contained, give notice in writing to the Minister that he desires this licence to continue as to a part of the Licensed Area (hereinafter called "the Producing Part").

(2) Such notice shall describe the Producing Part, which shall be an area that comprises no Section that is not wholly or in part the subject of a consent, approval or programme described in paragraph (3) of this clause.

(3) If such notice is given this licence shall continue in force after the expiry of the Second Term as provided by the following paragraphs of this clause in the event that before such expiry:

(a) the Minister has given a consent in pursuance of clause 13(1) of this licence and such consent is still in force upon expiry of the Second Term, or

(b) the Minister has in pursuance of clause 13(4) of this licence approved a programme submitted to him in pursuance of clause 13(2) and such approval is still in force upon expiry of the Second Term, or

(c) the Minister has served a programme on the Licensee in pursuance of clause 13(6) of this licence and such programme is still in force upon expiry of the Second Term, or

(d) the Minister has in his discretion so directed in writing.

(4) Where the Minister has given a direction extending the Second Term of this licence in pursuance of sub-paragraph (3)(d) of this clause he may in his discretion, on notice in writing being given to him by the Licensee not later than three months before the expiry of such extension or before the expiry of any subsequent extension under this paragraph (4) that he desires the licence to continue in force thereafter, give a further direction that this licence shall so continue in force.

(5) Where this licence continues in force by virtue of this clause it shall, subject to the provisions of clause 3 of this licence, so continue during the Production Period.

(6) A direction given by the Minister in pursuance of sub-paragraph (3)(d) of this clause or further direction given by the Minister in pursuance of paragraph (4) of this clause may be given subject to such conditions as he may specify and (without prejudice to the generality of the foregoing) such conditions may, subject to the provisions of paragraph (5) of this clause, include conditions as to the duration of the extension or further extension (as the case may be) of the Second Term.

Power further to extend term of Licence

6. Where this licence has continued in force by virtue of clause 5 of this licence for a total period of eighteen years after the expiry of the Second Term, the Minister, on application being made to him in writing not later than three months before the expiry of such period, may in his discretion agree with the Licensee that this licence shall continue in force thereafter for such further period as the Minister and the Licensee may agree and subject to such modification of the terms and conditions of this licence (which modification may include making provision for any further extension of the term of this licence) as the Minister and the Licensee may then agree is appropriate.

Right of Licensee to determine Licence or surrender part of Licensed Area

7. Without prejudice to any obligation or liability imposed by or incurred under the terms hereof the Licensee may at any time by giving to the Minister not less than one month's notice in writing to that effect determine this licence or surrender any part of the Licensed Area being a part which complies with clause 8 hereof.

Areas surrendered

8.—(1) Any area surrendered by the Licensee pursuant to clauses 4 or 7 of this licence and any area accordingly retained by him shall, unless the Minister has otherwise agreed in writing before the date on which the appropriate notice is given by the Licensee to the Minister:

(a) be bounded by minute lines of latitude extending not less than two minutes of longitude and minute lines of longitude extending not less than two minutes of latitude;

(b) subject in the case of any area surrendered by the Licensee to clause 4(5), consist of not less than thirty Sections;

(c) subject always to clause 8(2) have boundaries which, whether they run north and south or east and west, either coincide with the corresponding boundaries of the Block or are not less than two Sections distant from those boundaries.

(2) The surrender by the Licensee of any area pursuant to clauses 4 or 7 of this licence shall not, unless the Minister has otherwise agreed in writing before the date on which the appropriate notice is given by the Licensee to the Minister, result in the creation of a Fragmented Licensed Area.

(3) Upon the date on which any determination of this licence or any surrender of part of the Licensed Area in the manner provided for by any clause of this licence is to take effect the rights granted by this licence shall cease in respect of the Licensed Area or of the part so surrendered as the case may be but without prejudice to any obligation or liability imposed upon the Licensee or incurred by him under the terms of this licence prior to that date.

Payment of consideration for Licence

9.—(1) The Licensee shall make to the Minister as consideration for the grant of this licence payments in accordance with Schedule 2 to this licence.

(2) The Licensee shall not by reason of determination of the licence or surrender of any part of the Licensed Area be entitled to be repaid or allowed any sum payable to the Minister pursuant to this licence before the date of determination or surrender.

Measurement of Petroleum obtained from the Licensed Area

10.—(1) The Licensee shall measure or weigh by a method or methods customarily used in good oilfield practice and from time to time approved by the Minister all Petroleum won and saved from the Licensed Area.

(2) If and to the extent that the Minister so directs, the duty imposed by paragraph (1) of this clause shall be discharged separately in relation to Petroleum won and saved:

(a) from each part of the Licensed Area which is an Oil Field for the purposes of the Oil Taxation Act 1975,

(b) from each part of the Licensed Area which forms part of such an Oil Field extending beyond the Licensed Area, and

(c) from each Well producing Petroleum from a part of the Licensed Area which is not within such an Oil Field.

(3) If and to the extent that the Minister so directs, the preceding provisions of this clause shall apply as if the duty to measure or weigh Petroleum included a duty to ascertain its quality or composition or both; and where a direction under this paragraph is in force, the following provisions of this clause shall have effect as if references to measuring or weighing included references to ascertaining quality or composition.

(4) The Licensee shall not make any alteration in the method or methods of measuring or weighing used by him or in any appliances used for that purpose without the consent in writing of the Minister and the Minister may in any case require that no alteration shall be made save in the presence of a person authorised by the Minister.

(5) The Minister may from time to time direct that any weighing or measuring appliance shall be tested or examined in such manner, upon such occasions or at such intervals and by such persons as may be specified by the Minister's direction and the Licensee shall pay to any such person or to the Minister such fees and expenses for test or examination as the Minister may specify.

(6) If any measuring or weighing appliance shall upon any such test or examination as is mentioned in paragraph (5) of this clause be found to be false or unjust the same shall if the Minister so determines after considering any representations in writing made by the Licensee be deemed to have existed in that condition during the period since the last occasion upon which the same was tested or examined pursuant to paragraph (5) of this clause.

Keeping of accounts

11.—(1) The Licensee shall keep within the United Kingdom full and correct accounts in a form from time to time approved by the Minister of:

(a) the quantity of Petroleum in the form of gas won and saved;

(b) the quantity of Petroleum in any other form won and saved;

(c) the name and address of any person to whom any Petroleum has been supplied by the Licensee, the quantity so supplied, the price thereof or other consideration therefor and the place to which the Petroleum was conveyed pursuant to the agreement for such supply; and

(d) such other particulars as the Minister may from time to time direct.

(2) The quantities of Petroleum stated in such accounts may exclude any water separated from the Petroleum and shall be expressed as volumes in cubic metres

measured at, or calculated as if measured at, a temperature of 15° Celsius and a pressure of 1.0132 bar but if the Minister serves notice in writing on the Licensee determining any other manner in which any quantity of Petroleum or any quantity of any form of Petroleum is to be expressed that quantity shall be so expressed.

(3) Such accounts shall state separately the quantities of petroleum used for the purposes of carrying on drilling and production operations and pumping to field storage, and quantities not so used, and in the case of Petroleum not in the form of gas shall state the specific gravity of the Petroleum and, if Petroleum of different specific gravities has been won and saved, the respective quantities of Petroleum of each specific gravity.

(4) The Licensee shall within two months after the end of each Half Year in which this licence is in force and within two months after the expiration or determination of this licence deliver to the Minister an abstract in a form from time to time approved by the Minister of the accounts for that Half Year or for the period prior to such expiration or determination as the case may be.

Working obligations

12.—(1) The Licensee shall before the expiry of the Initial Term of this licence carry out the Work Programme.

(2) If at any time the Minister serves a notice in writing on the Licensee requiring him to submit to the Minister, before a date specified in the notice, an appropriate programme for exploring for Petroleum in the Licensed Area during a period so specified, the Licensee shall comply with the notice; and for the purposes of this paragraph an appropriate programme is one which any person who, if he:

(a) were entitled to exploit the rights granted by this licence; and

(b) had the competence and resources needed to exploit those rights to the best commercial advantage; and

(c) were seeking to exploit those rights to the best commercial advantage

could reasonably be expected to carry out during the period specified in the notice, and that period must be within the term of this licence.

(3) If a programme is submitted to the Minister in consequence of a notice served by him in pursuance of paragraph (2) of this clause, then:

(a) he shall not be entitled to revoke this licence on the ground that the programme does not satisfy the requirements of that paragraph (hereafter in this clause referred to as "the Relevant Requirements"); but

(b) if he is of opinion that the programme does not satisfy the Relevant Requirements he may serve a notice in writing on the Licensee stating his opinion and the reasons for it.

(4) Where notice in respect of a programme is served on the Licensee in pursuance of paragraph (3) of this clause he shall either:

(a) within 28 days beginning with the date of service of the notice refer to arbitration, in the manner provided by clause 38 of this licence, the question whether the programme satisfies the Relevant Requirements; or

(b) within a reasonable period beginning with the date of service of such notice submit to the Minister a further programme which satisfies the Relevant Requirements;

and where it is determined in consequence of any reference to arbitration in pursuance of sub-paragraph (a) of this paragraph that the programme in question does not satisfy the Relevant Requirements the Licensee shall submit to the Minister, as soon as possible after the date of the determination, a further programme which satisfies the Relevant Requirements.

(5) The Licensee shall carry out any programme submitted by him in pursuance of this clause as to which either:

(a) the Minister serves notice in writing on the Licensee stating that the Minister approves the programme; or

(b) it is determined in consequence of any reference to arbitration in the manner provided by clause 38 of this licence that the programme satisfies the Relevant Requirements;

and any programme approved by the Minister in pursuance of this paragraph shall be deemed for the purposes of this licence to satisfy the Relevant Requirements.

(6) Where, in consequence of any breach or non-observance by the Licensee of any provision of paragraph (2), (4) or (5) of this clause, the Minister has power by virtue of paragraph (1) of clause 37 of this licence to revoke this licence, he may if he thinks fit exercise that power in relation to such part only of the Licensed Area as he may specify; and where he does so the rights granted by this licence shall cease in respect of the specified part of that area without prejudice to any obligation or liability imposed upon the Licensee or incurred by him under the terms of this licence.

(7) Where the Licensee has a duty by virtue of this clause to carry out a programme during a part of the term of this licence, the Minister may serve notice in pursuance of paragraph (2) of this clause in respect of another part of that term.

Development and production programmes

13.—(1) The Licensee shall not:

(a) erect or carry out any Relevant Works, either in the Licensed Area or elsewhere, for the purpose of getting Petroleum from that area or for the purpose of conveying to a place on land Petroleum got from that area; or

(b) get Petroleum from that area otherwise than in the course of searching for Petroleum or drilling Wells,

except with the consent in writing of the Minister or in accordance with a programme which the Minister has approved or served on the Licensee in pursuance of the following provisions of this clause.

(2) The Licensee shall prepare and submit to the Minister, in such form and by such time and in respect of such period during the term of this licence as the Minister may direct, a programme specifying:

(a) the Relevant Works which the Licensee proposes to erect or carry out during that period for either of the purposes mentioned in paragraph (1)(a) of this clause;

(b) the proposed locations of the works, the purposes for which it is proposed to use the works and the times at which it is proposed to begin and to complete the erection or carrying out of the works;

(c) the maximum and minimum quantities of Petroleum in the form of gas and the maximum and minimum quantities of Petroleum in other forms which:

(i) in each calendar year; or

(ii) in each such period of more or less than one calendar as may be specified by the Minister

the Licensee proposes to get as mentioned in sub-paragraph (1)(b) of this clause.

(3) If the Minister directs the Licensee:

(a) to prepare different programmes in pursuance of paragraph (2) of this clause in respect of Petroleum from such different parts of the Licensed Area as are specified in the direction; or

(b) where a programme approved or served in pursuance of this clause relates to a particular period during the term of this licence, to prepare a programme or programmes in pursuance of paragraph (2) of this clause in respect of a further period or further periods during that term,

the Licensee shall comply with the direction.

(4) It shall be the duty of the Minister expeditiously to consider any programme submitted to him in pursuance of paragraph (2) of this clause and when he has done so to give notice in writing to the Licensee stating:

(a) that the Minister approves the programme; or

(b) that the Minister approves the programme subject to the condition that such of the Relevant Works as are specified in the notice shall not be used before the expiration of the period so specified in relation to the works or shall not be used without the consent in writing of the Minister; or

(c) that the Minister rejects the programme on one or both of the following grounds, namely:

(i) that the carrying out of any proposals included in the programme in pursuance of paragraph (2) of this clause would be contrary to good oilfield practice;

(ii) that the proposals included in the programme in pursuance of sub-paragraph (c) of the said paragraph (2) are, in the opinion of the Minister, not in the national interest;

and a notice in pursuance of sub-paragraph (b) of this paragraph may contain different conditions in respect of different works but shall not be given unless the Minister is satisfied that the condition mentioned in the notice is required in the national interest.

(5) Where the Minister gives notice of rejection of a programme in pursuance of sub-paragraph (c) of paragraph (4) of this clause, then:

(a) if the grounds of the rejection consist of or include the ground mentioned in paragraph (i) of that sub-paragraph he shall include in the notice a statement of the matters in consequence of which he rejected the programme on that ground; and

(b) if the grounds of the rejection consist of or include the ground mentioned in paragraph (ii) of that sub-paragraph he shall include in the notice a statement of the rates at which he considers that, in the national interest, Petroleum should be got from the area to which the programme relates; and

(c) the Licensee shall prepare and submit to the Minister, before the time specified in that behalf in the notice:

(i) where the notice contains such a statement as is mentioned in sub-paragraph (a) above, modifications of the programme which ensure that the carrying out of the programme with those modifications would not be contrary to good oilfield practice;

(ii) where the notice contains such a statement as is mentioned in sub-paragraph (b) above, modifications of the programme which ensure the getting of Petroleum from the area to which the programme relates at the rates specified in the statement and which (except so far as may be necessary in order to get Petroleum at those rates) are not such that the carrying out of the programme with those modifications would be contrary to good oilfield practice;

but the Licensee shall not be required by virtue of paragraph (i) of this sub-paragraph to submit modifications if it is determined in consequence of any reference to arbitration in the manner provided by clause 38 of this licence that the carrying out of the programme without modifications would not be contrary to good oilfield practice.

(6) If the Minister gives notice in writing to the Licensee that the Minister approves the modifications of a programme which have been submitted to him in pursuance of sub-paragraph (c) of paragraph (5) of this clause, the programme with those modifications shall be deemed to be approved by the Minister; but if the Licensee fails to perform the duty imposed on him by that sub-paragraph the Minister may, if he thinks fit, instead of revoking this licence in consequence of the failure, serve on the Licensee such a programme as the Minister considers that the Licensee should have submitted to him in respect of the area and period to which the rejected programme related.

(7) Where the Minister proposes to approve a programme subject to a condition in pursuance of paragraph (4)(b) of this clause or to reject a programme

in pursuance of paragraph (4)(c) of this clause or to serve a programme on the Licensee in pursuance of paragraph (6) of this clause he shall before doing so:

(a) give the Licensee particulars of the proposal and an opportunity to make representations to the Minister about the technical and financial factors which the Licensee considers are relevant in connection with the proposal; and

(b) consider any such representations then made to him by the Licensee.

(8) The Licensee shall carry out any programme approved or served on him by the Minister in pursuance of this clause or, if such a programme is varied in pursuance of clause 14 of this licence, the programme as so varied except in so far as the Licensee is authorised in writing by the Minister to do otherwise or is required to do otherwise by such a condition as is mentioned in paragraph (4)(b) of this clause; but if it is necessary to carry out certain works in order to comply with provisions included in a programme by virtue of paragraph (5)(c) of this clause or provisions of a programme served on the Licensee in pursuance of paragraph (6) of this clause or provisions of a programme as varied in pursuance of clause 14 of this licence, then, notwithstanding anything in the programme as to the time when those provisions are to be complied with, the Licensee shall not be treated as having failed to comply with those provisions before the expiration of the period reasonably required for carrying out the works.

(9) In this clause "Relevant Works" means any structures and any other works whatsoever which are intended by the Licensee to be permanent and are neither designed to be moved from place to place without major dismantling nor intended by the Licensee to be used only for searching for Petroleum.

Provisions supplementary to clause 13

14.—(1) A consent given by the Minister in pursuance of clause 13(1) of this licence may be given subject to such conditions as are specified in the document signifying the consent and may in particular, without prejudice to the generality of the preceding provisions of this paragraph, be limited to a period so specified.

(2) Where:

(a) the Minister gives notice in respect of a programme in pursuance of sub-paragraphs (4)(a) or (b) or paragraph (6) of clause 13 of this licence or serves a programme in pursuance of the said paragraph (6); or

(b) it is determined in consequence of any reference to arbitration in the manner provided by clause 38 of this licence that the Licensee is not required by virtue of paragraph (i) of clause 13(5)(c) of this licence to submit modifications of a programme in respect of which notice of rejection containing such a statement as is mentioned in the said paragraph (i) was given by the Minister in pursuance of clause 13(4)(c) of this licence,

the Minister may give to the Licensee, with the notice given or the programme served as mentioned in sub-paragraph (a) of this paragraph or, in a case falling within sub-paragraph (b) of this paragraph, within the period of three months beginning with the date of the arbitrator's or arbiter's determination, a notice (hereafter in this clause referred to as a "Limitation Notice") authorising the Minister, by a further notice given to the Licensee from time to time after the expiration of the period specified in that behalf in the Limitation Notice, to provide that the programme to which the Limitation Notice relates shall have effect while the further notice is in force with the substitution for any quantity of Petroleum or any period specified in the programme in pursuance of clause 13(2)(c) of this licence of a different quantity of Petroleum or a different period specified in the further notice.

(3) A quantity or period specified in such a further notice as that to be substituted for a quantity or period which is specified in the programme in question shall be such as to secure that the expenditure to be incurred by the Licensee in complying with the further notice, in a case where an effect of the notice is to increase the quantity of Petroleum which the Licensee is required to get from the Licensed Area in any period, is less than the cost of drilling a new Well in the Licensed Area at the time when the further notice is given.

(4) Where the Minister proposes to give a Limitation Notice or any such further notice as aforesaid he shall before doing so:

(a) give the Licensee particulars of the proposal and an opportunity to make representations to the Minister about the technical and financial factors which the Licensee considers are relevant in connection with the proposal; and

(b) consider any such representations then made to him by the Licensee;

and the Minister shall not give such a further notice of which an effect is to increase the quantity of Petroleum which the Licensee is required to get from the Licensed Area during any period unless the Minister is satisfied that the notice is required by reason of a national emergency and shall not give any other such further notice as aforesaid unless he is satisfied that the notice is required in the national interest.

(5) A Limitation Notice or any such further notice as aforesaid may:

(a) specify any quantity or period by reference to such factors as the Minister thinks fit; and

(b) in the case of such a further notice, contain provisions as to:

(i) the date when the notice is to come into force,

(ii) the date when the notice is to cease to be in force,

and specify different dates in pursuance of this sub-paragraph for different provisions of the notice;

and the Minister may revoke such a further notice at a particular time by serving on the Licensee a notice in writing stating that the further notice is revoked at that time.

(6) Any question arising under clause 13 of this licence or this clause as to what is, is not or is required in the national interest or as to what is, is not or is required by reason of, a national emergency shall be determined by the Minister.

(7) The Licensee shall ensure that any conditions to which an approval is subject in pursuance of clause 13(4)(b) of this licence or to which a consent is subject in pursuance of paragraph (1) of this clause are complied with.

(8) If in respect of part of the Licensed Area

(a) a consent has been given in pursuance of paragraph (1) of clause 13 of this licence; or

(b) the Licensee has submitted to the Minister, in accordance with a direction given by virtue of sub-paragraph (3)(a) of that clause, a programme in pursuance of paragraph (2) of that clause:

(i) as respects which the Minister has served notice in pursuance of sub-paragraphs (4)(a) or (b) or paragraph (6) of that clause, or

(ii) in consequence of which the Minister has served a programme on the Licensee in pursuance of the said paragraph (6), or

(iii) in respect of which it has been determined in consequence of any reference to arbitration in the manner provided by clause 38 of this licence that the Licensee is not required by virtue of sub-paragraph (5)(c)(i) of that clause to submit modifications,

paragraph (1) of clause 37 of this licence shall not authorise the Minister to revoke this licence in relation to that part of the Licensed Area in consequence of any breach or non-observance, while the consent is in force or during the period to which the programme relates, of any provision of the said clause 13 in connection with a different part of the Licensed Area.

(9) Where in consequence of any breach or non-observance by the Licensee of any provision of clause 13 of this licence the Minister has power by virtue of paragraph (1) of clause 37 of this licence to revoke this licence or, in consequence of paragraph (8) of this clause, to revoke it in respect of part only of the Licensed Area, he may if he thinks fit:

(a) in a case where he has power to revoke this licence, exercise the power in relation to such part only of the Licensed Area as he may specify; and

(b) in a case where by virtue of the said paragraph (8) he has power to revoke it in respect of part only of the Licensed Area, exercise the power in relation to such portion only of that part as he may specify;

and where in consequence of the said paragraph (8) or by virtue of the preceding provisions of this paragraph the Minister revokes this licence in respect of a part or portion of the Licensed Area, the rights granted by this licence shall cease in respect of that part or portion without prejudice to any obligation or liability imposed upon the Licensee or incurred by him under the terms of this licence.

Commencement and abandonment and plugging of Wells

15.—(1) The Licensee shall not commence or recommence the drilling of any Well without the consent in writing of the Minister.

(2) The Licensee shall not abandon any Well without the consent in writing of the Minister.

(3) The Licensee shall ensure compliance with any conditions subject to which any consent under either of the foregoing paragraphs is given.

(4) If any such condition under paragraph (1) of this clause relates to the position, depth or direction of the Well, or to any casing of the Well or if any condition under either paragraph (1) or paragraph (2) of this clause relates to any plugging or sealing of the Well, the Minister may from time to time direct that the Well and all records relating thereto shall be examined in such manner, upon such occasions or at such intervals and by such person as may be specified by the Minister's direction and the Licensee shall pay to any such person or to the Minister such fees and expenses for such examination as the Minister may specify.

(5) The plugging of any Well shall be done in accordance with a specification approved by the Minister applicable to that Well or to Wells generally or to a class of Wells to which that Well belongs and shall be carried out in an efficient and workmanlike manner.

(6) Subject to paragraph (7) of this Clause, any Well drilled by the Licensee pursuant to this licence shall be plugged and sealed in accordance with paragraphs (2), (3), (4) and (5) of this Clause, 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.

(7) A direction by the Minister may be given by notice in writing to the Licensee not less than one month before the Licensee's rights in respect of the area or part thereof in which the Well is situate expire or determine so as to relieve the Licensee of the obligation imposed by paragraph (6) of this Clause to plug and seal the Well.

(8) Any well that, pursuant to a direction by the Minister under paragraph (7) of this Clause, has not been plugged and sealed, shall be left in good order and fit for further working together with all casings and any Well head fixtures the removal whereof would cause damage to such wells.

(9) All casings and fixtures left in position pursuant to paragraph (7) of this Clause shall be the property of the Minister.

Distance of Wells from boundaries of Licensed Area

16. No Well shall except with the consent in writing of the Minister be drilled or made so that any part thereof is less than one hundred and twenty-five metres from any of the boundaries of the Licensed Area.

Control of Development Wells

17.—(1) The Licensee shall not suspend work on the drilling of a Development Well, or having suspended it in accordance with this paragraph shall not begin it again, except with the consent in writing of the Minister and in

accordance with the conditions, if any, subject to which the consent is given.

(2) When work on the drilling of a Development Well is suspended in accordance with paragraph (1) of this clause, the Licensee shall forthwith furnish the Minister with such information relating to the Well as the Minister may specify.

(3) The Licensee:

(a) shall not do any Completion Work in respect of a Well in the Licensed Area except in accordance with a programme of Completion Work approved by the Minister in respect of the Well;

(b) shall furnish to the Minister, in accordance with the provisions of such a programme, particulars of any Completion Work done by him in respect of a Well in the Licensed Area; and

(c) shall not remove or alter any casing or equipment installed by way of Completion Work in respect of a Well except with the consent in writing of the Minister and in accordance with the conditions, if any, subject to which the consent is given.

(4) In this clause:

"Completion Work", in relation to a Well, means work, by way of the installation of a casing or equipment or otherwise after the Well has been drilled, for the purpose of bringing the Well into use as a Development Well; and

"Development Well" means a Well which the Licensee uses or intends to use in connection with the getting of Petroleum in the Licensed Area, other than a Well which for the time being he uses or intends to use only for searching for Petroleum.

Provision of storage tanks, pipes, pipelines or other receptacles

18. The Licensee shall use methods and practice customarily used in good oilfield practice for confining the Petroleum obtained from the Licensed Area in tanks, gasholders, pipes, pipe-lines or other receptacles constructed for that purpose.

Avoidance of harmful methods of working

19.—(1) The Licensee shall maintain all apparatus and appliances and all Wells in the Licensed Area which have not been abandoned and plugged as provided by clause 15 of this licence in good repair and condition and shall execute all operations in or in connection with the Licensed Area in a proper and workmanlike manner in accordance with methods and practice customarily used in good oilfield practice and without prejudice to the generality of the foregoing provision the Licensee shall take all steps practicable in order:

(a) to control the flow and to prevent the escape or waste of Petroleum discovered in or obtained from the Licensed Area;

(b) to conserve the Licensed Area for productive operations;

(c) to prevent damage to adjoining Petroleum-bearing strata;

(d) to prevent the entrance of water through Wells to Petroleum-bearing strata except for the purposes of secondary recovery; and

(e) to prevent the escape of Petroleum into any waters in or in the vicinity of the Licensed Area.

(2) The Licensee shall comply with any instructions from time to time given by the Minister in writing relating to any of the matters set out in the foregoing paragraph. If the Licensee objects to any such instruction on the ground that it unreasonable he may, within fourteen days from the date upon which the same was given, refer the matter to arbitration in manner provided by clause 38 of this licence.

(3) Notwithstanding anything in the preceding provisions of this clause, the Licensee shall not:

(a) flare any gas from the Licensed Area; or

(b) use gas for the purpose of creating or increasing the pressure by means of which Petroleum is obtained from that area,

except with the consent in writing of the Minister and in accordance with the conditions, if any, of the consent.

(4) An application for consent in pursuance of paragraph (3) of this clause must be made in writing to the Minister and must specify the date on which the Licensee proposes to begin the flaring or use in question; and subject to paragraph (5) of this clause that date must not be before the expiration of the period of two years beginning with the date when the Minister receives the application.

(5) If the Minister gives notice in writing to the Licensee stating that, in consequence of plans made by the Licensee which the Minister considers are reasonable, the Minister will entertain an application for consent in pursuance of paragraph (3) of this clause which notice specifies a date after the expiration of a period mentioned in the notice which is shorter than the period mentioned in paragraph (4) of this clause, an application made in consequence of the notice may specify, as the date on which the applicant proposes to begin the flaring or use in question, a date after the expiration of that shorter period.

(6) Before deciding to withhold consent or to grant it subject to conditions in pursuance of paragraph (3) of this clause, the Minister shall give the Licensee an opportunity to make representations in writing to the Minister about the technical and financial factors which the Licensee considers are relevant in connection with the case and shall consider any such representations then made to him by the Licensee.

(7) Consent in pursuance of paragraph (3) of this clause shall not be required for any flaring which, in consequence of an event which the Licensee did not foresee in time to deal with it otherwise than by flaring, is necessary in order:

(a) to remove or reduce the risk of injury to persons in the vicinity of the Well in question; or

(b) to maintain a flow of Petroleum from that or any other Well;

but when the Licensee does any flaring which is necessary as aforesaid he shall forthwith inform the

Minister that he has done it and shall, in the case of flaring to maintain a flow of Petroleum, stop that flaring upon being directed by the Minister to do so.

(8) The Licensee shall give notice to the Minister of any event causing the escape or waste of Petroleum, damage to Petroleum-bearing strata or the entrance of water through Wells to Petroleum-bearing strata except for the purposes of secondary recovery forthwith after the occurrence of that event and shall, forthwith after the occurrence of any event causing the escape of Petroleum into the sea, give notice of the event to the Chief Inspector of Her Majesty's Coastguard.

(9) The Licensee shall comply with any reasonable instructions from time to time given by the Minister with a view to ensuring that funds are available to discharge any liability for damage attributable to the release or escape of Petroleum in the course of activities connected with the exercise of rights granted by this licence; but where the Minister proposes to give such instructions he shall before giving them:

(a) give the Licensee particulars of the proposal and an opportunity to make representations to the Minister about the proposal; and

(b) consider any representations then made to him by the Licensee about the proposal.

Appointment of operators

20.—(1) The Licensee shall ensure that another person (including, in the case where the Licensee is two or more persons, any of those persons) does not exercise any function of organising or supervising all or any of the operations of searching or boring for or getting Petroleum in pursuance of this licence unless that other person is a person approved in writing by the Minister and the function in question is one to which that approval relates.

(2) The Minister shall not refuse to give his approval of a person in pursuance of paragraph (1) of this clause if that person is competent to exercise the function in question, but where an approved person is no longer competent to exercise that function the Minister may, by notice in writing given to the Licensee, revoke his approval.

Fishing and navigation

21. The Licensee shall not carry out any operations authorised by this licence in or about the Licensed Area in such manner as to interfere unjustifiably with navigation or fishing in the waters of the Licensed Area or with the conservation of the living resources of the sea.

Training

22.—(1) The Minister may from time to time give to the Licensee instructions in writing as to the training of persons employed or to be employed, whether by the Licensee or by any other person, in any activity which is related to the exercise of the rights granted by this licence and the Licensee shall ensure that any instructions so given are complied with.

(2) The Minister shall not give instructions in pursuance of paragraph (1) of this clause unless he has consulted as to the provisions proposed to be included in such instructions the Petroleum Industry Training Board or such other body of a like nature as may from time to time be carrying on activities of a substantially similar kind to those at present performed by the said Board.

(3) The Licensee shall furnish the Minister with such information relating to the training of persons referred to in paragraph (1) of this clause as the Minister may from time to time request.

Unit development

23.—(1) If at any time at which this licence is in force the Minister shall be satisfied that the strata in the Licensed Area or any part thereof form part of a single geological Petroleum structure or Petroleum field (hereinafter referred to as "an Oil Field") other parts whereof are formed by strata in areas in respect of which other Licences granted in pursuance of the Act are then in force and the Minister shall consider that it is in the national interest in order to secure the maximum ultimate recovery of Petroleum and in order to avoid unnecessary competitive drilling that the Oil Field should be worked and developed as a unit in co-operation by all persons including the Licensee whose licences extend to or include any part thereof the following provisions of this clause shall apply.

(2) Upon being so required by notice in writing by the Minister the Licensee shall co-operate with such other persons, being persons holding Licences under the Act in respect of any part or parts of the Oil Field (hereinafter referred to as "the other Licensees") as may be specified in the said notice in the preparation of a scheme (hereinafter referred to as "a Development Scheme") for the working and development of the Oil Field as a unit by the Licensee and the other Licensees in co-operation, and shall, jointly with the other Licensees, submit such scheme for the approval of the Minister.

(3) The said notice shall also contain or refer to a description of the area or areas in respect of which the Minister requires a Development Scheme to be submitted and shall state the period within which such scheme is to be submitted for approval by the Minister.

(4) If a Development Scheme shall not be submitted to the Minister within the period so stated or if a Development Scheme so submitted shall not be approved by the Minister, the Minister may himself prepare a Development Scheme which shall be fair and equitable to the Licensee and all other Licensees, and the Licensee shall perform and observe all the terms and conditions thereof.

(5) If the Licensee shall object to any such Development Scheme prepared by the Minister he may within 28 days from the date on which notice in writing of the said scheme shall have been given to him by the Minister refer the matter to arbitration in the manner provided by clause 38 of this licence.

(6) Any such Development Scheme or the award of any arbitrator or arbiter in relation thereto shall have regard to any direction pursuant to clause 24 of this licence in force at the date of such scheme.

Directions as to Oil Fields across boundaries

24.—(1) Where the Minister is satisfied that any strata in the Licensed Area or any part thereof form part of an Oil Field, other parts whereof are in an area to which the Minister's powers to grant Licences pursuant to the Act do not apply and the Minister is satisfied that it is expedient that the Oil Field should be worked and

developed as a unit in co-operation by the Licensee and all other persons having an interest in any part of the Oil Field, the Minister may from time to time by notice in writing give to the Licensee such directions as the Minister may think fit, as to the manner in which the rights conferred by this licence shall be exercised.

(2) The Licensee shall observe and perform all such requirements in relation to the Licensed Area as may be specified in any such direction.

(3) Any such direction may add to, vary or revoke the provisions of a Development Scheme.

Licensee to keep records

25.—(1) The Licensee shall keep accurate records in a form from time to time approved by the Minister of the drilling, deepening, plugging or abandonment of all Wells and of any alterations in the casing thereof. Such records shall contain particulars of the following matters:

(a) the site of and number assigned to every Well;

(b) the subsoil and strata through which the Well was drilled;

(c) the casing inserted in any Well and any alteration to such casing;

(d) any Petroleum, water, mines or workable seams of coal encountered in the course of such activities, and

(e) such other matters as the Minister may from time to time direct.

(2) The Licensee shall keep within the United Kingdom accurate geological plans and maps relating to the Licensed Area and such other records in relation thereto as may be necessary to preserve all information which the Licensee has about the geology of the Licensed Area.

(3) The Licensee shall deliver copies of the said records, plans and maps referred to in the two foregoing paragraphs to the Minister when requested to do so either—

(a) within any time limit specified in the request; or

(b) if there is no time limit specified, within four weeks of the request.

Returns

26.—(1) The Licensee shall furnish to the Minister three months from the date of this licence and at intervals of three months thereafter during the period in which this licence is in force a return in a form from time to time approved by the Minister of the progress of his operations in the Licensed Area. Such return shall contain:

(a) a statement of all geological work, including surveys and tests, which has been carried out and the areas in which and the persons by whom the work has been carried out and the results thereof;

(b) the number assigned to each Well, and in the case of any Well the drilling of which was begun or the number of which has been changed during such period of three months, the site thereof;

(c) a statement of the depth drilled in each Well;

(d) a statement of any Petroleum, water, mines or workable seams of coal or other minerals encountered in the course of the said operations; and

(e) a statement of all Petroleum won and saved.

(2) Within two months after the end of each calendar year which falls wholly or partly within the period in which this licence is in force and within two months after the expiration or determination of this licence or any renewal thereof the Licensee shall furnish to the Minister an annual return in a form from time to time approved by the Minister of the operations conducted in the Licensed Area during that year or the period prior to such expiration or determination as the case may be together with a plan upon a scale approved by the Minister showing the situation of all Wells. The Licensee shall also indicate on the said plan all development and other works executed by him in connection with searching, boring for or getting Petroleum.

(3) The Licensee shall furnish the Minister with such information as the Minister may from time to time request about any aspect of activities of the Licensee which are attributable directly or indirectly to the grant of this licence, except that the Licensee shall not by virtue of this paragraph be required to furnish information in respect of his activities in connection with any crude oil after he has appropriated it for refining by him.

(4) The Licensee shall comply with any request for information made in accordance with paragraph (3) above either—

(a) within any time limit specified in the request; or

(b) if there is no time limit specified, within four weeks of the request.

Licensee to keep samples

27.—(1) As far as reasonably practicable the Licensee shall correctly label and preserve for reference for a period of five years samples of the sea bed and of the strata encountered in any Well and samples of any Petroleum or water discovered in any Well in the Licensed Area.

(2) The Licensee shall not dispose of any sample after the expiry of the said period of five years unless:

(a) he has at least six months before the date of the disposal given notice in writing to the Minister of his intention to dispose of the same; and

(b) the Minister or any person authorised by him has not within the said period of six months informed the Licensee in writing that he wishes the sample to be delivered to him.

(3) The Minister or any person authorised by him shall be entitled at any time:

(a) to inform the Licensee in writing that he wishes the whole or any part of any sample preserved by the Licensee to be delivered to him; or

(b) to inspect and analyse any sample preserved by the Licensee.

(4) The Licensee shall forthwith comply with any request for the delivery of the whole or any part of any sample which is made in accordance with the preceding provisions of this clause.

Reports to be treated as confidential

28. All records, returns, plans, maps, samples, accounts and information (in this clause referred to as "the specified data") which the Licensee is or may from time to time be required to furnish under the provisions of this licence shall be supplied at the expense of the Licensee and shall not (except with the consent in writing of the Licensee which shall not be unreasonably withheld) be disclosed to any person not in the service or employment of the Crown:

Provided that:

(a) the Minister shall be entitled at any time to make use of any of the specified data for the purpose of preparing and publishing such returns and reports as may be required of the Minister by law;

(b) the Minister shall be entitled at any time to furnish any of the specified data to the Natural Environment Research Council and to any other body of a like nature as may from time to time be carrying on activities of a substantially similar kind to the geological activities at present carried on by the said Council;

(c) the Minister, the said Council and any such other body shall be entitled at any time to prepare and publish reports and surveys of a general nature using information derived from any of the specified data;

(d) the Minister, the said Council and any other such body shall be entitled to publish any of the specified data of a geological, scientific or technical kind either—

(i) after the expiration of the period of three years beginning with the date when the data were due to be supplied to the Minister in accordance with clause 25 or 26 of this licence, or if earlier, the date when the Minister received those data;

(ii) after the Licence ceases to have effect, whether because of its determination , revocation or the effluxion of time; or

(iii) after the expiration of such longer period as the Minister may determine after considering any representations made to him by the Licensee about the publication of data in pursuance of this sub-paragraph.

Inspection of records etc.

29. The Licensee shall:

(a) permit any person in the service or employment of the Crown who is appointed by the Minister for the purpose to inspect, and to take copies of and make notes from, all books, papers, maps and other records of any kind kept by the Licensee in pursuance of this licence or in connection with activities about which the Minister is entitled to obtain information in pursuance of clauses 22(3) and 26(3) of this licence; and

(b) furnish that person at reasonable times with such information and provide him at reasonable times with such reasonable assistance as he may request in connection with or arising out of an inspection in pursuance of this clause.

Rights of access

30. Any person or persons authorised by the Minister shall be entitled at all reasonable times to enter into and upon any of the Licensee's installations or equipment used or to be used in connection with searching, boring for or getting Petroleum in the Licensed Area for the purposes hereinafter mentioned:

(a) to examine the installations, Wells, plant, appliances and works made or executed by the Licensee in pursuance of the Licence and the state of repair and condition thereof; and

(b) to execute any works or to provide and install any equipment which the Minister may be entitled to execute or provide and install in accordance with the provisions hereof.

Power to execute works

31. If the Licensee shall at any time fail to perform the obligations arising under the terms and conditions of any of clauses 10, 15, 16 or 19, of this licence, the Minister shall be entitled, after giving to the Licensee reasonable notice in writing of his intention, to execute any works and to provide and install any equipment which in the opinion of the Minister may be necessary to secure the performance of the said obligations or any of them and to recover the costs and expenses of so doing from the Licensee.

Right of distress

32.—(1) This clause applies in respect of any part of the Licensed Area situated within the English or Northern Irish areas as defined in article 1(2) of the Civil Jurisdiction (Offshore Activities) Order 1987.

(2) If and whenever any of the payments mentioned in clause 9(1) of this licence or any part thereof shall be in arrear or unpaid for 28 days next after any of the days whereon the same ought to be paid (whether the same shall have been legally demanded or not) then and so often as the same may happen the Minister may (as an additional remedy and without prejudice to any other rights and remedies to which he would be entitled) enter into and upon any of the Licensee's installations and equipment used or to be used in connection with searching, boring for or getting Petroleum in the Licensed Area and may seize and distrain and sell as a landlord may do for rent all or any of the stocks of Petroleum, engines, machinery, tools, implements, chattels and other effects belonging to the Licensee which shall be found in or upon or about any of the Licensee's installations and equipment so entered upon and out of the moneys arising from the sale of such distress may retain and pay all the arrears of the said payments and also the costs and expenses of and incident to such distress and sale and shall pay the surplus (if any) to the Licensee.

Diligence

33.—(1) This clause applies in respect of any part of the Licensed Area situated within the Scottish area as defined in article 1(2) of the Civil Jurisdiction (Offshore Activities) Order 1987.

(2) If and whenever any of the payments mentioned in clause 9(1) of this licence or any part thereof shall be in arrear or unpaid for 28 days next after any of the days whereon the same ought to be paid (whether the same shall have been legally demanded or not), then and so often as the same may happen the Minster may (as an additional remedy and without prejudice to any other rights and remedies to which he would be entitled) do diligence in respect thereof in like manner as a landlord may do diligence in respect of unpaid arrears of rent and such diligence shall be effectual to attach all or any of the stocks of Petroleum, engines, machinery, tools, implements and other effects belonging to the Licensee which shall be found on or about any of the Licensee's installations and equipment used or to be used in connection with searching, boring for or getting Petroleum in the Licensed Area, and where in pursuance of such a diligence a sale of such effects as shall have been attached thereby takes place the Minister may out of the proceeds thereof retain and pay all the arrears of the said payments and also the expenses of such incident to such diligence and sale and shall pay the surplus thereof (if any) to the Licensee.

Indemnity against third party claims

34. The Licensee shall at all times keep the Minister effectually indemnified against all actions, proceedings, costs, charges, claims and demands whatsoever which may be made or brought against the Minister by any third party in relation to or in connection with this licence or any matter or thing done or purported to be done in pursuance thereof.

Advertisements, prospectuses etc.

35. No statement shall be made either in any notice, advertisement, prospectus or other document issued by or to the knowledge of the Licensee or in any other manner claiming or suggesting whether expressly or by implication that Her Majesty or any Government Department or any person or body acting on behalf of Her Majesty has or have formed or expressed any opinion that the Licensed Area is from its geological formation or otherwise one in which Petroleum is likely to be obtainable.

Restrictions on assignment, etc.

36.—(1) The Licensee shall not, except with the consent in writing of the Minister and in accordance with the conditions (if any) of the consent do anything whatsoever whereby, under the law (including the rules of equity) of any part of the European Union or of any other place, any right granted by this licence or derived from a right so granted becomes exercisable by or for the benefit of or in accordance with the directions of another person.

(2) An agreement permitting the carrying out of geological surveys by physical or chemical means in the Licensed Area is not prohibited by paragraph (1) of this clause if the person by whom such surveys are to be carried out is:

> (a) the holder of a Licence granted by the Minister of the right, in common with all other persons to whom the like right may have been granted, to search for Petroleum in respect of an area which would include the Licensed Area, but for a proviso therein excluding the exercise of such right in the Licensed Area without the consent of the Licensee; or
>
> (b) the holder of a Licence granted by the Minister to search and bore for, and get, Petroleum in an area adjacent to the Licensed Area

and if the information intended to be obtained by such survey is reasonably necessary to enable that holder more efficiently to exercise the rights granted by the Licence which he holds from the Minister.

(3) The Licensee shall not enter into any agreement providing for a person other than the Licensee to become entitled to, or to any proceeds of sale of, any Petroleum which, at the time when the agreement is made, has not been but may be won and saved from the Licensed Area unless the terms of the agreement have been approved in writing by the Minister either unconditionally or subject to conditions, but the preceding provisions of this paragraph do not apply to:

> (a) an agreement for the sale of such Petroleum under which the price is payable after the Petroleum is won and saved; and
>
> (b) an agreement in so far as it provides that, after any Petroleum has been won and saved from the Licensed Area, it shall be exchanged for other Petroleum.

(4) The Licensee shall not, without the consent of the Minister, dispose of any Petroleum won and saved in the Licensed Area or any proceeds of sale of such Petroleum in such a manner that the disposal does, to the knowledge of the Licensee or without his knowing it, fulfil or enable another person to fulfil obligations which a person who controls the Licensee, or a person who is controlled by a person who controls the Licensee, is required to fulfil by an agreement which, if the person required to fulfil the obligations were the Licensee, would be an agreement of which the terms require approval by virtue of paragraph (3) of this clause; and subsections (2) and (4) to (6) of section 416 of the Income and Corporation Taxes Act 1988 shall apply, for the purposes of determining whether for the purposes of this paragraph a person has control of another person, with the following modifications, namely:

> (a) for the words "the greater part" wherever they occur in the said subsection (2) there shall be substituted the words "one-third or more"; and
>
> (b) in the said subsection (6), for the word "may" there shall be substituted the word "shall", the words from "and such attributions" onwards shall be omitted and in the other provisions of that subsection any reference to an associate of a person shall be construed as including only a relative of his (as defined by section 417(4) of that Act), a partner of his and a trustee of a settlement (as defined by section 681(4) of that Act) of which he is a beneficiary.

(5) Where the Licensee is two or more persons, then, without prejudice to the preceding provisions of this clause, none of those persons shall enter into an agreement with respect to the entitlement of any of them to:

(a) the benefit of any right granted by this licence; or

(b) any Petroleum won and saved from the Licensed Area; or

(c) any proceeds of sale of such Petroleum,

unless the terms of the agreement have been approved in writing by the Minister, but the preceding provisions of this paragraph do not apply to an agreement for the sale, or for the proceeds of such sale, of such Petroleum under which the price is payable after the Petroleum is won and saved and an agreement in so far as it provides that, after any Petroleum has been won and saved from the Licensed Area, it shall be exchanged for other Petroleum.

Power of revocation

37.—(1) If any of the events specified in the following paragraph shall occur then and in any such case the Minister may revoke this licence and thereupon the same and all the rights hereby granted shall cease and determine but subject nevertheless and without prejudice to any obligation or liability incurred by the Licensee or imposed upon him by or under the terms and conditions hereof.

(2) The events referred to in the foregoing paragraph are:

(a) any payments mentioned in clause 9(1) of this licence or any part thereof being in arrear or unpaid for two months next after any of the days whereon the same ought to have been paid;

(b) any breach or non-observance by the Licensee of any of the terms and conditions of this licence;

(c) the bankruptcy of the Licensee;

(d) the making by the Licensee of any arrangement or composition with his creditors;

(e) if the Licensee is a company, the appointment of a receiver or administrator or any liquidation whether compulsory or voluntary;

(f) any breach or non-observance by the Licensee of the terms and conditions of a Development Scheme;

(g) if the Licensee is a company, the Licensee's ceasing to direct and control either—

(i) its operations under the licence; or

(ii) any commercial activities in connection with those operations

from a fixed place within the United Kingdom;

(h) any breach of a condition subject to which the Minister gave his approval in pursuance of clause 36(3) of this licence;

(i) any breach of clause 36(5) of this licence;

and where two or more persons are the Licensee any reference to the Licensee in sub-paragraphs (c) to (g) of this paragraph is a reference to any of those persons.

(3) The Minister may revoke this licence, with the like consequences as are mentioned in paragraph (1) of this clause, if:

(a) the Licensee is a company; and

(b) there is a change in the control of the Licensee; and

(c) the Minister serves notice in writing on the Licensee stating that the Minister proposes to revoke this licence in pursuance of this paragraph unless such a further change in the control of the Licensee as is specified in the notice takes place within the period of three months beginning with the date of service of the notice; and

(d) that further change does not take place within that period.

(4) There is a change in the control of the Licensee for the purposes of sub-paragraph (3)(b) of this clause whenever a person has control of the Licensee who did not have control of the Licensee when this licence was granted; and subsections (2) and (4) to (6) of section 416 of the Income and Corporation Taxes Act 1988 shall apply, for the purpose of determining whether for the purposes of this paragraph a person has or had control of the Licensee, with the modifications specified in clause 36(4) of this licence.

(5) Where two or more persons are the Licensee and any of them is a company, paragraphs (3) and (4) of this clause shall have effect as if:

(a) sub-paragraph (a) of paragraph (3) were omitted;

(b) in sub-paragraph (b) of that paragraph, after the word "of" there were inserted the words "any company included among the persons who together constitute"; and

(c) for the word "Licensee" in any other provision of those paragraphs there were substituted the word "company".

Arbitration

38.— (1) If at any time any dispute, difference or question shall arise between the Minister and the Licensee as to any matter arising under or by virtue of this licence or as to their respective rights and liabilities in respect thereof then the same shall, except where it is expressly provided by this licence that the matter or thing to which the same relates is to be determined, decided, directed, approved or consented to by the Minister, be referred to arbitration as provided by the following paragraphs.

(2) The arbitration referred to in the foregoing paragraph shall be by a single arbitrator who, in default of agreement between the Minister and the Licensee and, in the case of arbitration in relation to a Development Scheme, other Licensees affected by that scheme, as to his appointment, shall be appointed by the Lord Chief Justice of England for the time being.

(3) To the extent that this clause applies to any part of the Licensed Area situated within the Scottish area, as defined in article 1(2) of the Civil Jurisdiction (Offshore Activities) Order 1987, this clause shall have effect as if:

(a) for the word "arbitrator", wherever it occurs in paragraphs (2) and (5) of this clause there were substituted the word "arbiter"; and

(b) for the words "the Lord Chief Justice of England", in paragraph (2) there were substituted the words "the Lord President of the Court of Session".

(4) To the extent that this clause applies to any part of the Licensed Area situated within the Northern Irish area, as defined in article 1(2) of the Civil Jurisdiction (Offshore Activities) Order 1987, this clause shall have effect as if for the words "the Lord Chief Justice of England", in paragraph (2), there were substituted the words "the Lord Chief Justice of Northern Ireland".

(5) In the case of any such arbitration which relates to a Development Scheme the Licensee shall unless the arbitrator otherwise determines perform and observe the terms and conditions of the Development Scheme pending the decision of the arbitrator.

Ministry of Defence

39. – (1) The Licensee shall give the Ministry of Defence six months' prior notice of any installation movements within a Block.

(2) The Licensee shall give the Ministry of Defence six weeks' prior notice of any seismic survey within a Block.

(3) The Licensee shall at his own expense, install and maintain underwater sonar beacons to Ministry of Defence specifications on any structures that may be temporarily within a Block provided that there shall be no requirement to fit such beacons to fixed and charted installations.

(4) The Ministry of Defence (MoD) must be notified, at least twelve months in advance, of the proposed siting of any installation anywhere within Block(s) 42/13, whether fixed to the seabed, resting on the seabed or floating, that is intended for drilling for or getting hydrocarbons, or for fluid injection. MoD will, within thirty days of receipt of such notification, either notify the Licensee that it is content with this location or else notify it that an MoD activity at the location would require re-siting of the installation from the requested location. In the case of potential difficulties identified either by MoD or by the Licensee, discussion should be held between the parties within three months of the original notification with a view to achieving a mutually acceptable location. [D4]

Department for the Environment Food and Rural Affairs / Scottish Executive

40. – (1) The Licensee shall appoint a fisheries liaison officer who shall agree suitable arrangements with the seismic survey and supply vessel owners employed by the Licensee, 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:

(a) consult the organisations which represent the local fishing industry about the sea routes to be used by supply vessels;

(b) after informing the Secretary of State of the result of such consultations, agree with him which routes shall be used to minimise interference with fishing activities without thereby unreasonably increasing transit times;

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

(d) 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.

(2) 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 such consultation. If as a result of such consultation the Secretary of State determines that the method of clearance of debris should be modified, such modifications shall be observed by the Licensee.

(3) 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.

Schedule 1 CLAUSE 2

Description of Licensed Area

Block 42/13 is bounded by the following co-ordinates:
(1) 54° 40' 00.000"N 0° 24' 00.000"E
(2) 54° 40' 00.000"N 0° 36' 00.000"E
(3) 54° 30' 00.000"N 0° 36' 00.000"E
(4) 54° 30' 00.000"N 0° 24' 00.000"E
(5) 54° 40' 00.000"N 0° 24' 00.000"E
These co-ordinates were specified using 'European Datum 1950'.

Schedule 2 CLAUSE 9

Consideration for Licence

Periodic minimum payments

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

(a) upon the said date, £15 multiplied by the area factor;
(b) upon the 1st anniversary of the said date, £15 multiplied by the area factor;

(c)	"	2nd	"	£150	"
(d)	"	3rd	"	£150	"
(e)	"	4th	"	£300	"
(f)	"	5th	"	£1200	"
(g)	"	6th	"	£2100	"
(h)	"	7th	"	£3000	"
(i)	"	8th	"	£3900	"
(j)	"	9th	"	£4800	"
(k)	"	10th	"	£5700	"
(l)	"	11th	"	£6600	"

(m) upon the 12th and every subsequent anniversary of the said date, £7500 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 periodic payments shall be increased or subsequently reduced in line with movements in the Index of the Price of Crude Oil acquired by Refineries (published in the Digest of UK Energy Statistics) if the Minister so determines. The Minister shall give notice of any such determination ("biennial determination") during the month preceding the 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 2003 and 2004. In the event that the Index of the Price of Crude Oil acquired by Refineries ceases to be published the Minister may substitute arrangements for redetermination of periodic payments having substantially similar effect to those set out above based on such other comparable Index as he may determine.

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

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

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

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

Schedule 3 CLAUSES 4 AND 12

Work Programme

DRILL-OR-DROP WORK PROGRAMME

PART 1:

'Promote' Licence requirement

With reference to the obligations imposed by this Licence, the Licensee shall demonstrate to the satisfaction of the Minister -

(1) the financial capacity of the Licensee; and

(2) the competence of the following persons to organise and supervise any of the operations of searching for and boring for Petroleum -

- (a) the Licensee, where the Licensee is one person; or
- (b) any operator or operators exercising functions in accordance with model clause 20, where the Licensee is two or more persons.

Firm commitment

Within one year of the beginning of the Initial Term, the Licensee shall obtain 200km^2 of 3D seismic data and 100km of 2D seismic data.

PART 2

The Licensee shall drill one well to a depth of 2740m or150m into the Carboniferous, whichever is the shallower.

Nothing here fetters the Minister's discretion when considering whether to consent to any specific activity.

Schedule 4

Companies

STERLING RESOURCES (UK) LIMITED (registered number: 03531783) of BLACKSTABLE HOUSE, LONGRIDGE, SHEEPSCOMBE, STROUD, GLOUCESTERSHIRE, GL6 7QX

Execution Page

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

THE CORPORATE SEAL OF THE SECRETARY OF STATE FOR TRADE AND INDUSTRY

hereunto affixed is authenticated by:

[redacted],

an official in the Department of Trade & Industry.

Signed for and on behalf of **STERLING RESOURCES (UK) LIMITED** by:

[redacted] (full name) [redacted] (signature), (Secretary/Director)

[redacted] (full name) [redacted] (signature), (Director)