

LICENCE NO. P.666

Petroleum (Production) Act 1934

Continental Shelf Act 1964

THE SECRETARY OF STATE FOR ENERGY

and

ELF UK PLC

AGIP (U.K.) LIMITED

HARDY OIL & GAS (UK) LIMITED

LICENCE

to

search and bore for and get petroleum

in Blocks No. 22/30c and 29/5c

THIS LICENCE made the 15th day of August 1989
between THE SECRETARY OF STATE FOR ENERGY (hereinafter referred to as
"the Minister") for and on behalf of Her Majesty of the one part and
ELF UK PLC whose registered office is situate at Knightsbridge House,
197 Knightsbridge, London, SW7 1RZ and AGIP (U.K.) LIMITED whose
registered office is situate at Southside, 105 Victoria Street,
London, SW1E 6QU and HARDY OIL & GAS (UK) LIMITED whose registered
office is situate at 7th Floor, 2 Chalkhill Road, London, W6 8DW
(hereinafter referred to as "the Licensee") of the other part
WITNESSETH as follows:-

Incorporation
of clauses

A.Clause 1 and clauses 4 to 43 of the model clauses for production
licences in seaward areas set out in Schedule 4 to the Petroleum
(Production) (Seaward Areas) Regulations 1988 (SI 1988 No. 1213)
shall be incorporated herein and (subject to paragraph E hereof)
shall have effect as if herein set out at length.

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
19 July 1989 being inserted therein as the date next after which the
term of this Licence shall commence.

Right to
search and
bore for and
get petroleum

C.In consideration of the payments and royalties hereinafter
provided and the performance and observance by the Licensee of all
the terms and conditions hereof, the Minister, in exercise of the
the powers conferred upon him by the Act of 1934 and the Act of 1964,

hereby grants to the Licensee EXCLUSIVE LICENCE AND LIBERTY during the continuance of this Licence and subject to the provisions hereof to search and bore for, and get, petroleum in the sea bed and subsoil under the seaward area comprising an area of 115 square kilometres more particularly described in Schedule 1 to this Licence being the area comprising blocks No. 22/30c and 29/5c on the reference map deposited at the principal office of the Department of Energy, Thames House South, Millbank, London SW1P 4QJ: 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 licensed area being situate in a designated area or part of a designated area in respect of which an Order in Council has been made pursuant to section 23 of the Oil and Gas (Enterprise) Act 1982 making provision for the determination of questions in accordance with the law in force in Scotland, it is hereby declared that 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.

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

THE CORPORATE SEAL OF THE SECRETARY)

OF STATE FOR ENERGY)

hereunto affixed is authenticated by:)


.....

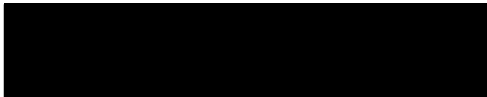
Assistant Secretary

Authorised by the Secretary of State

The Common Seal of ELF UK PLC)

was hereunto affixed in the)

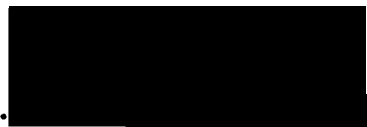
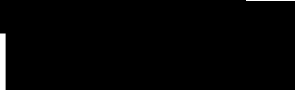
presence of:-)

 Director
..  Secretary

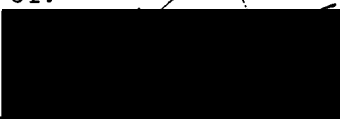
The Common Seal of AGIP (U.K.) LIMITED)

was hereunto affixed in the)

presence of:-)

 Director
.....  Secretary

The Common Seal of HARDY OIL & GAS (UK) LIMITED)
was hereunto affixed in the)
presence of:-)

...  ... Director
...  ... Secretary

SCHEDULE 1

Description of Licensed Area

The sea area bounded by lines joining the following
co-ordinates on European Datum:

Block 22/30c

- (1) 57° 04' 00" N : 1° 48' 00" E
- (2) 57° 04' 00" N : 1° 52' 00" E
- (3) 57° 00' 00" N : 1° 52' 00" E
- (4) 57° 00' 00" N : 1° 48' 00" E

Block 29/5c

- (1) 56° 57' 00" N : 1° 48' 00" E
- (2) 56° 57' 00" N : 1° 51' 00" E
- (3) 56° 56' 00" N : 1° 51' 00" E
- (4) 56° 56' 00" N : 1° 53' 00" E
- (5) 56° 55' 00" N : 1° 53' 00" E
- (6) 56° 55' 00" N : 1° 55' 00" E
- (7) 56° 54' 00" N : 1° 55' 00" E
- (8) 56° 54' 00" N : 1° 57' 00" E
- (9) 56° 58' 00" N : 1° 57' 00" E
- (10) 56° 58' 00" N : 2° 00' 00" E
- (11) 56° 50' 00" N : 2° 00' 00" E
- (12) 56° 50' 00" N : 1° 58' 00" E
- (13) 56° 53' 00" N : 1° 58' 00" E
- (14) 56° 53' 00" N : 1° 48' 00" E

SCHEDULE 2

Consideration for Licence

- Initial payment 1. The Licensee shall pay to the Minister upon the grant of this Licence the sum of £37,950.
- Periodic minimum payments 2. - (1) Upon the Licensee exercising the option conferred by clause 4 to continue the Licence then upon the date specified in the notice referred to in clause 4, and on the anniversaries thereof during the term of the Licence as continuing pursuant to that clause or, as the case may be, to clause 5 the Licensee shall pay the Minister sums (in this Schedule referred to as "periodic payments") calculated as follows:-
- (a) upon the said date £400 multiplied by the area factor
 - (b) upon the 1st anniversary of the said date £800 multiplied by the area factor
- | (c) | " | " | 2nd | " | " | " | £1200 | " | " |
|-----|---|---|------|---|---|---|-------|---|---|
| (d) | " | " | 3rd | " | " | " | £1600 | " | " |
| (e) | " | " | 4th | " | " | " | £2000 | " | " |
| (f) | " | " | 5th | " | " | " | £2400 | " | " |
| (g) | " | " | 6th | " | " | " | £2800 | " | " |
| (h) | " | " | 7th | " | " | " | £3200 | " | " |
| (i) | " | " | 8th | " | " | " | £3600 | " | " |
| (j) | " | " | 9th | " | " | " | £4000 | " | " |
| (k) | " | " | 10th | " | " | " | £4400 | " | " |
| (l) | " | " | 11th | " | " | " | £4800 | " | " |
| (m) | " | " | 12th | " | " | " | £5200 | " | " |
| (n) | " | " | 13th | " | " | " | £5600 | " | " |
- (o) upon the 14th and every subsequent anniversary of the said date £6000 multiplied by the area factor.

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

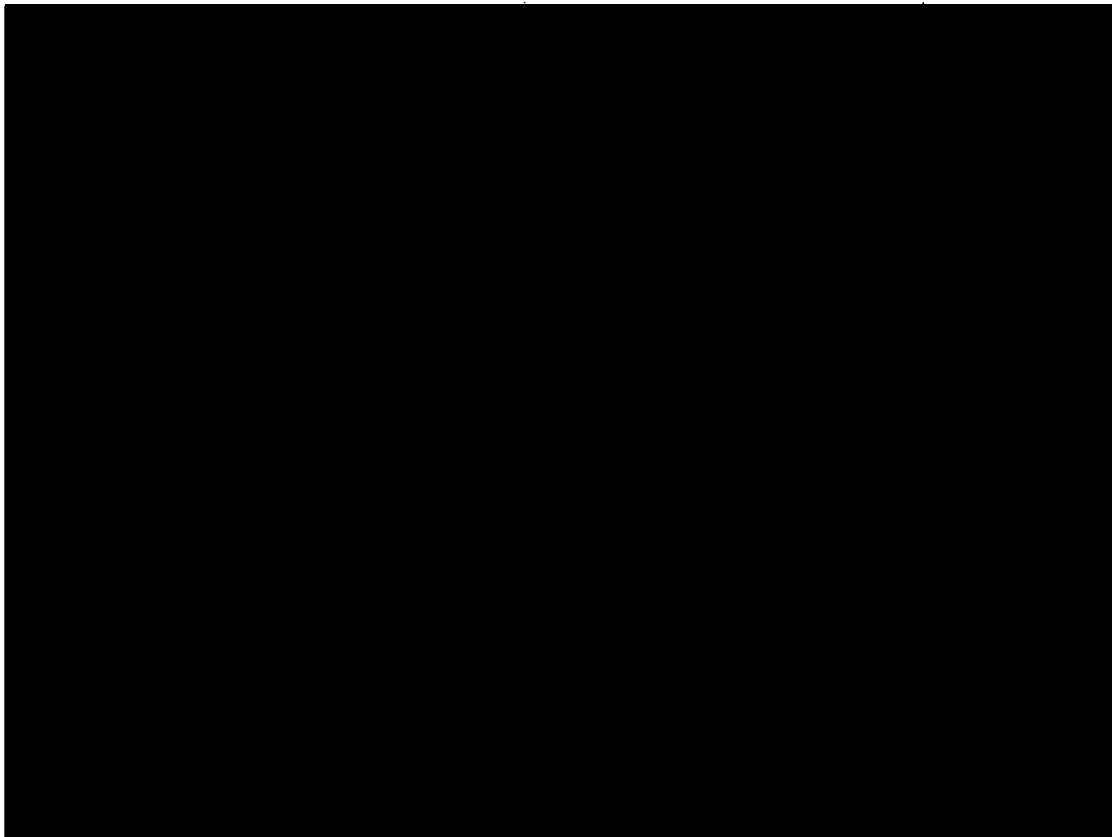
(a) The annual payments shall be increased or subsequently reduced in line with movements in the Index of the Price of Crude Oil acquired by Refineries (published in the Digest of UK Energy Statistics) if the Minister so determines. The Minister shall give notice of any such determination ("biennial determination") during the month preceding the eighth anniversary of the date of commencement of this Licence or any subsequent two-yearly anniversary of that date, and shall specify in the notice the increase or reduction in the amount payable. Movements in the Index shall be calculated by reference to a comparison between the arithmetic mean of the Index levels for the two latest calendar years for which figures are available at the time when the determination is made, and the arithmetic mean of the Index levels for 1986 and 1987. 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.

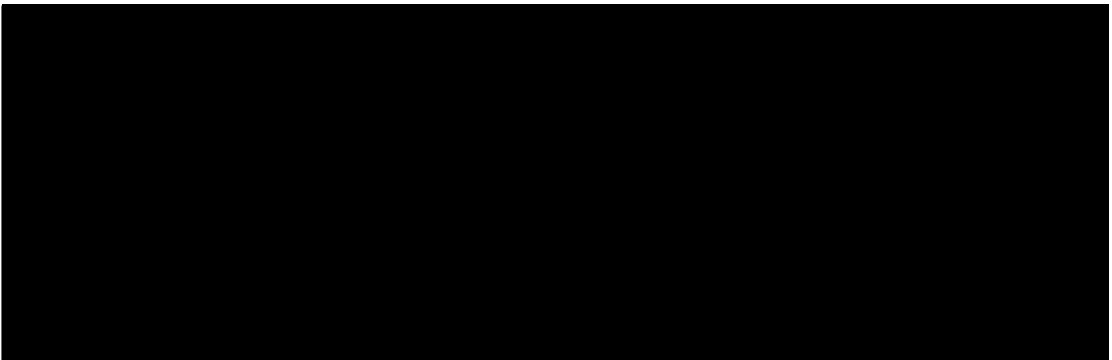
(3) In this paragraph "the area factor" means the number of square kilometres comprised in the licensed area at the date upon which the periodic payment in question becomes due.



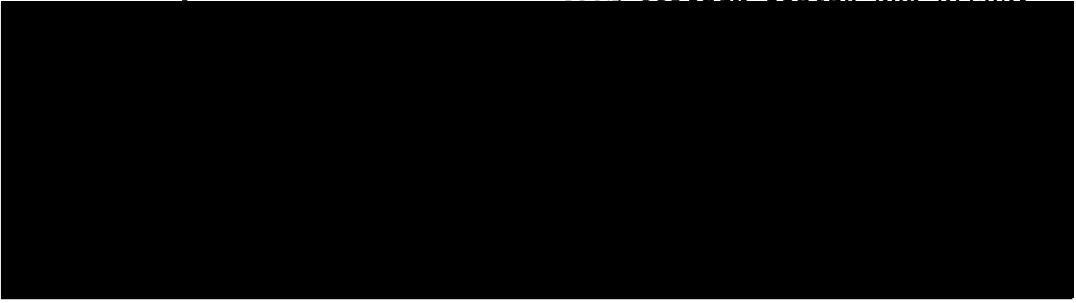
SCHEDULE 3

The appropriate percentage

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



NOTE The Petroleum Royalties (Relief) Act 1983 and the Petroleum Royalties (Relief) and Continental Shelf Act 1989 provide that no royalty is payable in respect of petroleum won and saved from certain fields and areas.



SCHEDULE 4

INITIAL TERM WORKING OBLIGATIONS

The Licensee shall, before the expiry of the initial term of the Licence, carry out not less than 1,500 kilometres of 3-Dimensional seismic survey work in the licensed area of block 22/30c, not less than 200 kilometres of 2-Dimensional seismic survey work in the remaining part of the licensed area and drill within the licensed area two exploration wells.

One such exploration well ("the first well") shall be drilled to a depth of not less than 5,700 metres subsea or 30 metres into the Middle Jurassic, whichever is the lesser depth. The said first well shall be spudded within a period of 12 months from the date of commencement of the licence. A second exploration well shall be drilled to a depth of not less than 6,000 metres subsea or 30 metres into the Middle Jurassic, whichever is the lesser depth.