

SCHEDULES

SCHEDULE 2

PRODUCTION LICENCES FOR SEAWARD AREAS

PART I

FURTHER AMENDMENTS OF SCHEDULE 4 TO THE PETROLEUM (PRODUCTION) REGULATIONS 1966 AS AMENDED

2 After clause 8 of the relevant clauses there shall be inserted the following clauses:—

Royalty payments.

“8A (1) Subject to paragraphs (2) to (4) of this clause the Licensee shall pay to the Minister, in respect of each half year in which this licence is in force (hereafter in this clause and in clause 8B of this licence referred to as a "chargeable period"), a royalty of an amount equal to 12 ½ per cent. of the value of the petroleum relating to that period.

(2) The Licensee shall not be required to make a payment in pursuance of paragraph (1) of this clause in respect of a chargeable period if he is required by virtue of clause 8C of this licence to deliver to the Minister all the royalty petroleum for that period.

(3) The Licensee shall not be required to make a payment in pursuance of paragraph (1) of this clause in respect of a chargeable period if he is required by virtue of clause 8C of this licence to deliver to the Minister some but not all of the royalty petroleum for that period; but in respect of that period the Licensee shall, subject to paragraph (4) of this clause, pay to the Minister a royalty of an amount determined in accordance with the formula—

$$\frac{A(12\frac{1}{2} - B)}{100 - B}$$

where A is the value of the petroleum relating to that period and B is the number of per cent. in the percentage which the royalty petroleum required to be delivered to the Minister in that period is of the petroleum won and saved in the licensed area in that period.

(4) Where in a chargeable period in respect of which, apart from this paragraph, royalty is payable in pursuance of paragraph (3) of this clause, the petroleum won and saved in the licensed area includes both petroleum in the form of gas and petroleum in other forms, that paragraph shall have effect—

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- (a) in relation to the petroleum in the form of gas, as if references to petroleum in the provisions of that paragraph relating to the meaning of A and B excluded petroleum in other forms; and
- (b) in relation to the petroleum in other forms, as if those references excluded petroleum in the form of gas;

and in such a case the value of the petroleum relating to that period shall be apportioned between the petroleum in the form of gas and the petroleum in other forms in such manner as the Minister and the Licensee may agree.

- (5) For the purposes of this clause and clause 8B of this licence the value of the petroleum relating to a chargeable period is, subject to paragraph (b) of this clause, the total of the amounts which, if the words " one-half of " were omitted from paragraph (b) of subsection (4) and paragraph (d) of subsection (5) of section 2 of the Oil Taxation Act 1975, would in pursuance of paragraph (a) of the said subsection (4) fall to be taken into account in relation to that period in respect of the persons who by reference to this licence are or are treated as participators for the purposes of those subsections, reduced by—
 - (a) the total of the market values which would in pursuance of the said paragraph (b) fall to be taken into account as aforesaid ; and
 - (b) a sum ascertained in pursuance of paragraph (7) of this clause in respect of the cost of conveying and treating petroleum.
- (6) The value which, in pursuance of paragraph (5) of this clause, is the value of the petroleum relating to a chargeable period shall be increased by—
 - (a) the amount of the price received or receivable for any petroleum consisting of gas won and saved in the licensed area in that period which is sold to the British Gas Corporation in that period under a contract made before the end of June 1975 ; and
 - (b) an amount equal to the value, as determined for the purposes of income tax or the charge of corporation tax on income, of so much of the petroleum won and saved in the licensed area as falls within section 10(1)(b) of the Oil Taxation Act 1975 and was in that period disposed of or relevantly appropriated (within the meaning of Part I of that Act) by the persons mentioned in the said paragraph (5).
- (7) The Minister may from time to time, by notice in writing given to the Licensee, determine the mode of ascertaining any sum for the purposes of sub-paragraph (b) of paragraph (5) of this clause ; but—
 - (a) the Minister shall not give a notice in pursuance of this paragraph unless he has consulted persons appearing to him to be representative of the holders of petroleum production licences about the terms of the notice ; and
 - (b) any dispute between the Minister and the Licensee as to the amount of such a sum shall, in default of agreement before the expiration of fourteen months beginning with the last day of the chargeable period to which the sum relates and subject to sub-paragraph (c) of this paragraph, be determined by the Minister ; and

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- (c) the Licensee may, during the period of 28 days beginning with the day on which he receives from the Minister particulars of a determination in pursuance of sub-paragraph (b) of this paragraph, refer to arbitration in the manner provided by clause 34 of this licence any question as to whether the determination is in accordance with the relevant notice given to the Licensee in pursuance of this paragraph.
- (8) In this clause "royalty petroleum", in relation to a chargeable period, means the petroleum which by virtue of clause 8C of this licence the Minister is entitled to require the Licensee to deliver to him in that period.

Provisions supplementary to clause 8A.

- 8B (1) The Licensee shall, within two months after the end of each chargeable period, deliver to the Minister, in such form as the Minister may specify, a statement of—
- (a) the quantity of petroleum won and saved in the licensed area in that period;
 - (b) the quantity of that petroleum delivered to the Minister in that period in pursuance of clause 8C of this licence ;
 - (c) the amounts of the prices and market values which are required by paragraph 2 of Schedule 2 to the Oil Taxation Act 1975 to be stated in the returns made for that period in pursuance of that paragraph in consequence of this licence ;
 - (d) the amount mentioned in clause 8A(6)(a) of this licence; and
 - (e) the amount which the Licensee estimates will, as respects that period, be the amount of the sum mentioned in clause 8A(5)(b) of this licence.
- (2) The Licensee shall, when he delivers a statement to the Minister in pursuance of paragraph (1) of this clause for a chargeable period in respect of which royalty is payable in pursuance of clause 8A(1) of this licence, make to the Minister a payment on account of royalty for that period equal to one-eighth of the sum produced by aggregating the amounts which in pursuance of sub-paragraphs (c) and (d) of paragraph (1) of this clause are specified in the statement and reducing the aggregate by the amount so specified in pursuance of sub-paragraph (e) of that paragraph and by the amount which, by virtue of paragraph 2(2)(d)(ii) of Schedule 2 to the said Act of 1975, was specified in the statement delivered to the Minister in pursuance of the said paragraph (1) in respect of the preceding chargeable period; but the Licensee may reduce the amount of the payment by the amount of any deduction from it authorised by paragraph 3(2) of Schedule 2 to this licence.
- (3) The Licensee shall, when he delivers a statement to the Minister in pursuance of paragraph (1) of this clause for a chargeable period in respect of which royalty is payable in pursuance of clause 8A(3) or (4) of this licence, make to the Minister a payment on account of royalty for that period equal to the amount which would be so payable for that period if the royalty so payable for that period fell to be determined

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by reference to the amounts specified in the statement and the amount which, by virtue of paragraph 2(2)(d)(ii) of Schedule 2 to the Oil Taxation Act 1975, was specified in the statement delivered to the Minister in pursuance of paragraph (1) of this clause in respect of the preceding chargeable period ; but the Licensee may reduce the amount of the payment as mentioned in paragraph (2) of this clause.

- (4) The Minister shall make to the Licensee payments equal to the amounts by which, in consequence of paragraphs (2) to (4) of clause 8A of this licence, the deductions which the Licensee was entitled to make in pursuance of paragraph 3(2) of Schedule 2 to this licence fall short of the deductions which the Licensee would have been so entitled to make if royalty were only payable in pursuance of paragraph (1) of that clause and paragraph (2) of it were omitted; and payments by the Minister in pursuance of this paragraph shall be made as soon as the amounts of the relevant deductions have been determined.
- (5) The Minister may from time to time, after a statement in respect of any chargeable period has been delivered to him in pursuance of paragraph (1) of this clause and before he has given to the Licensee a notice in pursuance of paragraph (b) of this clause in respect of that period, give a notice in writing to the Licensee specifying the amount which the Minister estimates is payable by the Licensee in pursuance of clause 8A of this licence in respect of that period; and where the amount specified in the notice is larger or smaller than the total amount already paid by the Licensee in pursuance of this clause in respect of that period, then—
 - (a) if it is larger the difference shall be paid forth with by the Licensee to the Minister; and
 - (b) if it is smaller the difference shall be paid forthwith by the Minister to the Licensee.
- (6) When it appears to the Minister that the value of the petroleum relating to any chargeable period has been finally determined for tax purposes, he may give to the Licensee a notice in writing specifying the amount which the Minister considers is payable by the Licensee in pursuance of clause 8A of this licence in respect of that period; and where the amount specified in the notice is larger or smaller than the total amount already paid by the Licensee in pursuance of this clause in respect of that period, then, subject to paragraph (8) of this clause—
 - (a) if it is larger the difference shall be paid forthwith by the Licensee to the Minister ; and
 - (b) if it is smaller the difference shall be paid forthwith by the Minister to the Licensee.
- (7) If after the date when the Minister gave notice to the Licensee in pursuance of paragraph (b) of this clause or this paragraph in respect of a chargeable period it appears to the Minister, in consequence of a relevant assessment or determination made after that date which relates directly or indirectly to the value of petroleum by reference to which the amount specified in the notice was determined, that another amount ought to have been so specified, he may give notice in writing to the Licensee

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- specifying the other amount; and where he does so, then, subject to paragraph (8) of this clause—
- (a) if the other amount is larger than the amount specified in the previous notice the difference shall be paid forthwith by the Licensee to the Minister; and
 - (b) if it is smaller the difference shall be paid forthwith by the Minister to the Licensee.
- (8) A decision made by the Minister for the purposes of paragraph (5), (6) or (7) of this clause shall not be called in question by the Licensee except that any dispute between the Minister and the Licensee as to whether an amount specified in a notice given in pursuance of the said paragraph (b) or (7) is payable by virtue of clause 8A of this licence may be referred to arbitration in the manner provided by clause 34 of this licence; and on a reference to arbitration in pursuance of this paragraph any relevant assessment or determination for the time being in force shall be binding on the Minister and the Licensee so far as the assessment or determination relates directly or indirectly to the value of petroleum relating to the chargeable period in question.
- (9) When any payment falls to be made by the Licensee or the Minister in pursuance of paragraph (5), (6) or (7) of this clause, an amount in respect of interest on the payment shall also be payable by him to the recipient of the payment and that amount shall be calculated in such manner as the Minister may specify from time to time in a notice in writing given by him to the Licensee; but—
- (a) a notice in pursuance of this paragraph shall provide for amounts by way of interest to be calculated by applying a rate of interest which is for the time being a commercial rate of interest; and
 - (b) any such amount in respect of interest shall be disregarded in calculating for the purposes of the said paragraph (5) or (6) any amount already paid by the Licensee in pursuance of this clause.
- (10) In this clause "relevant assessment or determination" means an assessment or determination made by the Commissioners of Inland Revenue for the purposes of petroleum revenue tax, income tax or the charge of corporation tax on income or a determination made in proceedings arising out of such an assessment or determination made by the said Commissioners.

Deliveries of petroleum in place of royalties.

- 8C (1) If during the term of this licence the Minister serves on the Licensee a notice in writing in accordance with the following provisions of this clause requiring the Licensee to deliver to the Minister part of the petroleum won and saved by the Licensee in the licensed area, the Licensee shall comply with the notice.
- (2) Where the Minister proposes to serve a notice on the Licensee in pursuance of paragraph (1) of this clause, he shall before doing so—
- (a) give the Licensee a copy of the proposed notice and an opportunity of making representations to the Minister about it; and

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- (b) consider any representations then made to him by the Licensee about the proposed notice ;
- and the Minister shall, in deciding upon the terms of the actual notice, have regard to the desirability of not disturbing unduly any arrangements made by the Licensee for transporting and delivering petroleum won and saved from the licensed area.
- (3) Subject to paragraph (4) of this clause, a notice served in pursuance of paragraph (1) of this clause—
- (a) shall specify the date on which the notice is to come into force and may contain provisions with respect to the time when it shall cease to be in force ;
 - (b) shall specify the quantity of petroleum won and saved in the licensed area during each half year in which the notice is in force which, up to any maximum quantities specified in the notice in pursuance of paragraph (4)(b) of this clause, is to be delivered to the Minister in consequence of the notice ;
 - (c) may relate to all petroleum so won and saved or may be limited to and specify different quantities of such petroleum which is of one or more of the following kinds, namely, crude oil of a quality or of each quality determined in the manner specified in the notice, condensate, natural gas and natural gas liquids ;
 - (d) shall specify the place or places at which any petroleum or kind of petroleum is to be delivered in pursuance of the notice and may contain provisions with respect to the times at which any quantities of it are to be so delivered.
- (4) Such a notice—
- (a) shall not specify as the date on which it is to come into force a date before the expiration of the period of six months beginning with the date on which the notice is served on the Licensee but shall, if the Minister serves on the Licensee a further notice in writing stating that it is to cease to be in force at a time specified in the further notice which is not earlier than six months after the date of service of the further notice, cease to be in force at that time;
 - (b) shall not specify, as the quantity of petroleum won and saved in any half year which is to be delivered in pursuance of the notice or as the quantity of any kind of such petroleum, a quantity greater than 12J per cent. of all the petroleum, or as the case may be of all the petroleum of that kind, which is won and saved by the Licensee in the licensed area in that half year, but may provide that the quantities of the petroleum or of a kind of petroleum so won and saved which are to be so delivered shall not in the aggregate exceed a quantity specified in the notice;
 - (c) shall not specify as a place at which delivery is to be made in pursuance of the notice a place which is neither a well head in the licensed area nor a point on land at which the Licensee normally lands petroleum of any kind from that area.
- (5) Where petroleum or petroleum of any kind is delivered to the Minister, otherwise than at a well head, in pursuance of a notice served by virtue of

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paragraph (1) of this clause, the Minister shall pay to the Licensee a sum in respect of the cost of the delivery and treatment of the petroleum; and clause 8A(7) of this licence shall apply for the purpose of ascertaining that sum as if for the reference to paragraph (5)(b) of that clause there were substituted a reference to this paragraph.”