

SCHEDULES

SCHEDULE 2

PRODUCTION LICENCES FOR SEAWARD AREAS

PART I

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

1 For paragraph (1) of clause 8 of the model clauses set out in Schedule 4 to the Petroleum (Production) Regulations 1966 as amended by the Petroleum (Production) (Amendment) Regulations 1971 (hereafter in this Part of this Schedule referred to as "the relevant clauses") there shall be substituted the following paragraph:—

- (1) The Licensee shall make to the Minister as consideration for the grant of this licence—
- (a) payments of royalty in accordance with clauses 8A and 8B of this licence ;
 - (b) deliveries of petroleum in accordance with clause 8C of this licence ; and
 - (c) payments in accordance with Schedule 2 to this licence.

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—

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

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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—

- (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—

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- (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
 - (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

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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 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

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- (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 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.

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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
 - (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

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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 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.”

3 Clause 11 of the relevant clauses shall be omitted.

4 Clause 12 of the relevant clauses shall be renumbered as paragraph (1) of that clause and after it the following paragraphs shall be inserted in that clause:

“(2) If during the said term 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 said term and begin after the expiration of the term of six years mentioned in clause 3 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 34 of this

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licence, the question of whether the programme satisfies the relevant requirements ; or

- (b) within a reasonable period beginning with that date 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 pursuance 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 33 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.”

- 5 After clause 12 of the relevant clauses there shall be inserted the following clauses—

Development and production programmes.

“12A (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.

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- (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, in each calendar year during the period aforesaid or in such other periods during that period as the Minister may specify, the Licensee proposes to get as mentioned in 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 periods 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.

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- (5) Where the Minister gives notice of rejection of a programme ifi 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 there mentioned 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 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 (b) of this clause he shall before doing so—
- (a) give the Licensee particulars of the proposal and an opportunity of making representations to the Minister about the technical and financial factors which the Licensee considers are relevant in connection with the proposal; and

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

and the Minister shall not approve a programme subject to such a condition unless he is satisfied that the condition is required in the national interest.

(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 12B of this licence, the programme as so varied except 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 (b) of this clause or provisions of a programme as varied in pursuance of clause 12B 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 12A.

Provisions supplementary to clause 12A.

12B (1) A consent given by the Minister in pursuance of clause 12A(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 paragraph (4)(a) or (b) or paragraph (b) of clause 12A of this licence or serves a programme in pursuance of the said paragraph (b); or

(b) it is determined by arbitration that the Licensee is not required by virtue of paragraph (i) of clause 12A(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 12A(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

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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 12A(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 within the limits specified in the limitation notice as those applicable to that quantity or period specified in the programme; and those limits 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 of making 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 such a 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 12A of this licence or this clause as to what is, is not or is required in the national interest or as to what is, or is required by reason of, a national emergency shall be determined by the Minister.

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- (7) The Licensee shall ensure that any conditions to which an approval is subject in pursuance of clause 12A(4)(b) of this licence or 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 12A of this licence ; or
 - (b) the Licensee has submitted to the Minister, in accordance with a direction given by virtue of 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 paragraph (4)(a) or (b) or paragraph (b) of that clause, or
 - (ii) in consequence of which the Minister has served a programme on the Licensee in pursuance of the said paragraph (b), or
 - (iii) in respect of which it has been determined by arbitration that the Licensee is not required by virtue of paragraph (5)(c)(i) of that clause to submit modifications,

paragraph (1) of clause 33 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 12A 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 12A of this licence the Minister has power by virtue of paragraph (1) of clause 33 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.”

6 After clause 14 of the relevant clauses there shall be inserted the following clause:—

Control of development wells.

- “14A (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

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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.”

7 (1) In Clause 16 of the relevant clauses, after paragraph (2) there shall be inserted the following paragraphs:—

“(2A) 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.

(2B) An application for consent in pursuance of paragraph (2A) 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 (2C) 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.

(2C) 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 (2A) of this clause which specifies a date after the expiration of a period mentioned in the notice which is shorter than the

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period mentioned in paragraph (2B) 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.

(2D) Before deciding to withhold consent or to grant it subject to conditions in pursuance of paragraph (2A) of this clause, the Minister shall give the Licensee an opportunity of making 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.

(2E) Consent in pursuance of paragraph (2A) 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 the flaring upon being directed by the Minister to stop it.”

(2) In paragraph (3) of the said clause 16, for the words " within three days of " there shall be substituted the words " forthwith after "and after the words " that event" there shall be inserted the words " and shall, forthwith after the occurrence of any event causing escape of petroleum into the sea, give notice of the event to the Chief Inspector of Her Majesty's Coastguard ".

(3) In the said clause 16, after paragraph (3) there shall be inserted the following paragraph:—

“(4) 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 of making representations to the Minister about the proposal; and

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

8 After clause 16 of the relevant clauses there shall be inserted the following clause:—

Appointment of operators.

“16A (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 operations for searching or boring for or getting petroleum in pursuance of this licence unless the other person is a person approved in writing by the Minister as respects that function.

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(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 not competent to exercise that function the Minister may, by notice in writing given to the Licensee, revoke his approval.”

9 For paragraph (3) of clause 23 of the relevant clauses there shall be substituted the following paragraph:—

“(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.”

10 (1) In clause 25 of the relevant clauses, in paragraph (i) for the words " Act of 1934" there shall be substituted the words " Petroleum and Submarine Pipe-lines Act 1975 ".

(2) Paragraph (ii) of the said clause 25 shall be omitted and for paragraphs (iv) to (vi) of that clause there shall be substituted the following paragraphs:—

“(iv) the Minister, the said Institute 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 ;

(v) the Minister, the said Institute and any such other body shall be entitled to publish any of the specified data of a geological, scientific or technical kind after the expiration of the period of five years beginning with the date when the Minister received the data or 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.”

11 For clause 26 of the relevant clauses there shall be substituted the following clause:
 —

Inspection of records etc.

“26 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 clause 23(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.”

- 12 In both versions of clause 29 of the relevant clauses for the words "considerations by way of royalty or otherwise specified by Schedule 2 hereto " there shall be substituted the words " payments mentioned in clause 8(1) of this licence " and for the word "consideration " there shall be substituted the word " payments " .
- 13 (1) For clause 32(1) and the side-note to clause 32 of the relevant Clauses there shall be substituted the following:—

Restrictions on assignment etc.

- “32 (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 United Kingdom 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) In paragraph (2) of the said clause 32, for the words "shall be deemed not to be an assignment or sub-licence in respect of any of the rights granted by this Licence " there shall be substituted the words " is not prohibited by paragraph (1) of this clause " .
- (3) In the said clause 32, after paragraph (2) there shall be inserted the following paragraphs:—
- “(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 302 of the Income and Corporation Taxes Act 1970 shall apply, for the purpose 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

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(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 303(4) of that Act), a partner of his and a trustee of a settlement (as defined by section 454(3) 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 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.”

14 (1) In clause 33 of the relevant clauses—

- (a) in paragraph (2)(a) for the words " consideration specified in Schedule 2 hereto " there shall be substituted the words " payments mentioned in clause 8(1) of this licence "; and
- (b) in paragraph (2)(g) the words " to be a citizen of the United Kingdom and Colonies or to be resident in the United Kingdom, or" and the word "ceasing" after those words shall be omitted.

(2) In the said clause 33, at the end of paragraph (2) there shall be inserted the following words:—

- “(h) any breach of a condition subject to which the Minister gave his approval in pursuance of clause 32(3) of this licence;
- (i) any breach of clause 32(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) In the said clause 33, after paragraph (2) there shall be inserted the following paragraphs:—

“(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

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- (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 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 302 of the Income and Corporation Taxes Act 1970 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 32(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".
- 15 (1) In the relevant clauses all the words in brackets beginning with the words " the marginal note whereof is" and the brackets enclosing the words so beginning shall be omitted; and accordingly in clause 28 of those clauses for the words from " the Clauses " to " case " there shall be substituted the words " clauses 9, 13, 15, 16 or 18 of this licence ".
- (2) In the provisions included in the relevant clauses by virtue of the Petroleum (Production) (Amendment) Regulations 1971, for the words " Secretary of State " wherever they occur there shall be substituted the word " Minister ".