

Unofficial translation

**AWARDS IN PREDEFINED
AREAS 20XX**

PETROLEUM PRODUCTION LICENCE

NO. **xxx.**

FOR

PETROLEUM ACTIVITIES

awarded

x
[Petro AS]
x

by royal decree **xx.xxxx.xxxx**

By Royal Decree **XX.XX.XXXX** it is decided:

Pursuant to Act No. 72 of 29 November 1996 pertaining to petroleum activities (the Petroleum Act) petroleum production licence no. **XXX** is granted.

The Licensees are:

X	X %
[Petoro AS*]	X%
X	X %

[*Petoro AS is licensee on behalf of the State's participating interest (the State's Direct Financial Interest - SDFI)]

The Production Licence is granted subject to the conditions stated below and the laws and regulations in effect at any time.

1. RIGHTS, AREA AND DURATION

a) This Production Licence gives an exclusive right to the exploration for petroleum, exploration drilling and production of petroleum in the licence area:

Field No.:	Block No.:	Sq. km:
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Total area:

Corner co-ordinates:

b) This Production Licence is valid until and including **xxxx** (the initial period).

c) When the obligatory work commitment described in Art. 4 below has been carried out, the Licensees may require an extension of the Production Licence period after the expiry of the initial period or after the expiry of any extension of the initial period in accordance with the Petroleum Act section 3-9. The duration of such extension shall be **xx** year(s).

d) The Licensees may require an extension in accordance with litra c) for those part(s) of the Petroleum Production Licence comprised by a plan for development and operation which has been submitted to the Ministry of Petroleum and Energy (the Ministry). Based on the plan submitted, the Ministry will determine the extension of the area comprised by the extended Production Licence period.

e) A Production Licence area not comprised by litra d) shall be relinquished at the time of expiry of the initial period.

2. AREA FEE

On extension of the initial period, and on extension of the licence period beyond the initial period in accordance with item 1 c), the Licensees shall pay an area fee in accordance with the laws and regulations in effect at any time. The amount is payable to the Norwegian Petroleum Directorate (NPD).

3. OPERATOR

Y has been appointed and has accepted the designation and responsibility as operator.

4. OBLIGATORY WORK COMMITMENT (EXAMPLE)

The Licensees have accepted to undertake a work commitment which shall be completed in its entirety by **xxxx**.

The content of the work commitment, and specifications for its completion, are as follows:

a) Within **x** years from the time of award of this Production Licence, the Licensees shall:

- Acquire seismic data of the entire area of the Production Licence. (example)
- Conduct relevant geological and geophysical studies. (example)

b) Within **y** years from the award of this Production Licence, the Licensees shall decide whether or not to drill an exploration well. The decision shall be made pursuant to Article 3.2 of the Joint Operating Agreement. If a majority decision on drilling an exploration well is made, the Production Licence shall continue to be valid.

If no majority decision on drilling an exploration well is made, but one or more Licensees wish to drill an exploration well in any case, the Licensees who do not want to drill the exploration well shall withdraw from the joint venture pursuant to Article 24 of the Joint Operating Agreement. The procedures for approval by the Ministry shall apply accordingly.

For the Production Licence to continue to be valid, the remaining Licensees must within **y** years from the award apply to the Ministry, with a copy to the NPD, for approval to drill the exploration well. If the Ministry does not accept the application, the Production Licence must be surrendered in its entirety. Any change of Operator shall be subject to the approval of the Ministry pursuant to the Petroleum Act Section 3-7.

If none of the Licensees wish to drill an exploration well, the Production Licence must be surrendered in its entirety within **y** years.

The Licensees must within **y** years from the award notify the Ministry in writing, with copy to the NPD, of their decision under this item b).

c) Within **Z** years from the award of this Production Licence, the Licensees shall decide whether to prepare a plan for development and operation of the relevant petroleum deposit(s) (Decision on Continuation). If one or more Licensees do not wish to take part in the preparation of a plan for development and operation, the participating interests concerned must be transferred either to a third party or to one or more of the remaining Licensees to ensure 100 % participation in the development plan. If the participating interest concerned is not acquired by a third party or remaining Licensee, no Decision on Continuation is considered to have been made.

For the Production Licence to continue to be valid, the remaining Licensees must within **z** years from the award agree to prepare a plan for development and operation of the relevant petroleum deposit(s). Any change of Operator will be subject to the approval of the Ministry pursuant to the Petroleum Act Section 3-7.

If none of the Licensees wish to prepare a plan for development and operation for the

relevant petroleum deposit(s), no Decision on Continuation is considered to have been made.

If no Decision on Continuation is made, the Production Licence must be surrendered in its entirety within **z** years from the award of the Production Licence.

The Licensees must within **z** years from the award notify the Ministry in writing, with copy to the NPD, of their decision under this item c).

d) Within **ø** years from the award of this Production Licence, the Licensees must decide whether to submit to the Ministry for approval a plan for development and operation for the relevant petroleum deposit(s).

If no decision to submit a plan for development and operation is made, but one or more Licensees wish to submit a plan for development and operation in any case, the Licensees who do not want to submit such plan shall withdraw from the joint venture pursuant to Article 24 of the Joint Operating Agreement. The procedures for approval by the Ministry shall apply accordingly. Any change of Operator shall be subject to the approval of the Ministry pursuant to the Petroleum Act Section 3-7.

If no plan for development and operation is submitted, the Production Licence must be surrendered in its entirety within **ø years from the award of the Production Licence**.

e) When applying, as appropriate, for a deviation from the work commitment the Licensees shall submit to the NPD a copy of all documentation necessary to consider the application.

f) When drilling, the Licensees shall undertake any coring and other tests or measurements which the NPD considers necessary in order to evaluate possible petroleum deposits. Emphasis shall be put on coring in all prospective intervals. The coring and sampling shall be followed up by comprehensive analyses and interpretations.

g) An exploration well is defined as a well testing a new and clearly defined geological unit (separated by one or more of the following criteria: structure, lithology, facies or pressure), penetrating all prospective intervals at the particular location lying within the terms of the work commitment as defined above. If the Licensees want to have a well approved as an exploration well, an approval from the NPD may be applied for in advance. This requires all relevant data and interpretations to be submitted to the NPD and that the drilling of the well is completed as planned.

h) If areas covered by the Production Licence are relinquished or surrendered according to **litras b) – d)**, the Licensees shall, no later than 3 months after the relinquishment submit to the NPD a report on the status regarding the areas being relinquished or surrendered. The report shall contain a summary of any collected data, studies performed including the result of these, and give an overview of the prospectivity in the area relinquished.

5. MISCELLANEOUS CONDITIONS

The Licensees may be required to use supply bases selected by the Ministry.

When planning drilling activities, particular care must be taken with respect to fishery activities and marine organisms. Prior to exploration drilling, measures to inform the parties concerned must be taken.

When planning seismic surveys, the licensees must take particular care with respect to fishery activities and marine organisms at critical stages in their life cycles.

Licenseses are required to undertake necessary mappings of possible coral reefs and other important benthic communities, including important habitats for sandeels, that can be affected by petroleum activity in the awarded blocks, and ensure that these possible communities are not mud covered or damaged by the petroleum activity. The seabed mapping shall be carried out in a format that is compatible with the MAREANO programme before initiating activity in the specific block(s). Separate conditions can be set to avoid damage on coral reefs and important benthic communities. Refer to Mareano [www.mareano.no] for information on identified coral reefs on the Norwegian Continental Shelf.

Licenseses are required to map and report discoveries of wrecks and other cultural monuments that can be affected by petroleum activity in the awarded blocks and, in cooperation with cultural monument administration, ensure that possible cultural monuments are not damaged by the petroleum activity.

The operator shall on behalf of the licenseses apply to the Norwegian Environment Agency for a discharge permit in due time before planned activity.

In accordance with the Report to the Storting no. 28 (2010 - 2011) there shall as a main rule be zero discharge of environmentally harmful components to the sea. Furthermore, it is a goal that the risk of environmental damage caused by discharge of other chemical components is minimized. The target of zero discharge applies to all offshore operations, both drilling and well operations, as well as production and discharges from pipelines. For each single field an overall evaluation of relevant issues, including environmental consequences, safety related matters, reservoir related issues and issues relating to costs shall be undertaken in order to choose the most suited measures to achieve the zero discharge target. This evaluation will be undertaken in connection with the impact assessment study that, according to the Petroleum Act, must be undertaken as a part of the Plan for Development and Operation. Special conditions apply for the Barents Sea and the Norwegian Sea, see below.

Requirements relating to contingency plans in the event of accidental oil spills will be stipulated in accordance with the Pollution Control Act (Forurensningsloven) and the Regulations relating to this act and the HSE-regulations, when specific plans for drilling activities exist. Approval for drilling is, among other factors, subject to contingency plans. In determining the extent of these requirements distance to the shoreline, distance to environmentally sensitive areas and effects on other commercial interests will, among other aspects, be taken into consideration. In support of prevailing regulations there shall in the areas nearest to the coast be carried out more comprehensive preparedness measures in case of possible exploration and production.

The operator shall, by means of risk analysis, cf. Regulations relating to management in the petroleum activities of 3 September 2001, identify the environmental considerations which the licenseses deem to be critical to their preparation of an oil spill contingency plan, cf. Regulations relating to execution of activities in the petroleum activities of 3 September 2001, and for planning the measures employed in order to reduce the risk of such pollution. The analysis of environmental risks shall also include an evaluation of the effects of operational discharges during exploration drilling.

Pursuant to the Report to the Storting no. 38 (2001-2002), it is expected that the industry will continue to contribute to the biological monitoring of living marine resources in order to survey possible effects of the petroleum activity.

The Government sees a continued need to improve the knowledge of occurrence of seabirds in areas that can be affected by discharges from petroleum activities. It is expected that the industry will contribute to the monitoring for seabirds in the North Sea and Norwegian Sea in

connection with the environmental impact assessment following any plans for development and operation for new stand-alone developments in this area.

There is an ongoing work to establish lanes for ships and to strengthen safety at sea in parts of Norwegian waters. Any exploration drilling in the vicinity of the traffic separation system must be planned so that unintended obstacles for the shipping traffic which may increase the risk of collision are avoided.

Special requirements for the North Sea

Parts of the announced acreage lie in areas with special environmental challenges. This applies to the blocks 32/1, 2, 4, 5 and 7, 35/1, 2 and 3, and 36/10, because these blocks are located near to or in the coastal current. Prior to any production in these blocks, special consideration to avoid potential environmental damage must be emphasized in the overall evaluation for measures to reach the zero discharge target. In connection with a possible Plan for Development and Operation for new stand-alone developments in this area, special conditions may be put in place with regard to the protection of the marine environment.

More comprehensive preparedness measures for any exploration or production activities particularly apply for the blocks 32/1, 2, 4, 5 and 7 and 36/10. In connection with possible developments in these blocks, emphasis will be put on preventive measures against unintentional discharges. The competent Authorities will collaborate especially on requirements for installations in coastal areas in order to minimize the risk of unintentional discharges.

In parts of the predefined area there is, in certain periods of the year, extensive fishing for sandeels, see map at www.npd.no/apa2010. This applies to the blocks; 2/2, 3 and 6, 3/1, 2, 3, 4 and 5, 4/1, 2 and 3, 5/1, 7/2, 3, 6 and 9, 8/1, 2, 3, 4, 5, 6, 7, and 9, 9/1, 2, 4, 5, 7, 8, 9, 11 and 12, 10/7, 8, 10, 11 and 12, 16/11 and 12 and 30/5, 6, 8, 9, 11 and 12. In the event that some of these blocks are awarded, drilling restrictions will apply during the time that the fishing for sandeels takes place from 1st of April until 30th of June. Exploration drilling on and in a zone surrounding these sandeels-fields must be undertaken without discharges of drill cuttings, including the drilling of the top hole section, to ensure that the quality of the sandeels-fields does not suffer damage from drilling activities. In case of future developments of resources in this area, the licensees shall use development solutions that minimise the negative effects for the fishing of sandeels and that alter the seabed of the sandeels-fields to the least extent possible. In connection with the approval process for Plans for Development and Operation in this area, the Authorities will attach special importance to proper fulfilment of this condition.

Among the announced blocks in the North Sea there are blocks which are rich fishery areas. These are blocks 26/10 and 11, 17/1, 2, 5, 6, 8, 10 and 11 and 8/1, 2, 4 and 5. In connection with awards in these blocks, separate conditions regarding fisheries may be set.

The extensive fishery activities in the blocks 31/10 and 11 and 26/1, 2, 4, 5, 7 and 8 imply that permission to drill more than one exploration well at a time will not be granted. Subject to a specific evaluation of the fishery activities, permission for one additional exploration well may be granted.

In the blocks 33/2 and 3 and 34/1 and 2 there is extensive industrial trawling in certain periods of the year. In these areas exploration drilling will not be allowed between 1 October and 31 March.

Special requirements in the Norwegian Sea

With regard to the blocks announced in the Norwegian Sea, the conditions described in the Report No. 37 to the Storting (2008-2009) «Integrated Management of the Marine Environment of the Norwegian Sea » shall apply. This implies that:

- Inside the 500 meter depth contour no exploration seismic activities will be permitted in the period between January 1st and April 1st. This restriction does not apply for well site surveys.
- No exploration drilling into oil bearing layers in the period between April 1st to June 15th in the blocks 6204/1, 2, 3, 4, 5, 7, 8 and 6304/12 inside 500 meter depth contour; quadrant 6305 inside 500 meter depth contour; quadrants 6306, 6307, 6407/2, 3, 5, 6, 8, 9, 11 and 12, 6408/4 and 7, 6508, 6509, 6510, 6608/3, 5, 6, 7, 8, 9, 10, 11 and 12, 6609, 6610 and 6611.
- No exploration drilling into oil bearing layers in breeding and moult periods (April 1st to August 31st) in the blocks 6204/7, 8, 10, 11, 6306/6, 8, 9 and 6307/1, 2, 3, 4, 5 and 7.

The Authorities will exercise flexibility in the practising of the environmental and fishery conditions.

In special areas with occurrence of vulnerable benthic fauna or key spawning areas for bottom-spawning fish, provisions to use technology for dealing with cuttings and drilling mud may be required, in order to avoid sediment deposition.

Special requirements for the Barents Sea

With regard to the blocks announced in the Barents Sea, the conditions described in the Report No. 8 to the Storting (2005-2006) «Integrated Management of the Marine Environment of the Barents Sea and the Sea Areas off the Lofoten Islands» shall apply. This implies that:

- The operations shall be based on injection or other technologies, if applicable, that prevents discharge of produced water. In the event of operational non-conformities, a maximum of five per cent of the produced water may be discharged on the condition that it is treated before it is discharged. Exact treatment requirements will be given by the concessionary Authorities with regard to actual activities;
- Drill cuttings and drilling fluid are re-injected or brought to land for deposition. Drill cuttings and drilling fluid from drilling of the top hole section may normally be discharged. The condition is that the discharge does not contain components with unacceptable environmental properties. This applies only to areas where the potential for damage to vulnerable environmental components is considered to be low. Such considerations shall be based on thorough mapping of vulnerable environmental components (spawning grounds, coral reefs and other vulnerable benthic fauna). Such discharges will be subject to application and permission from the concessionary Authorities;
- No exploration drilling will be permitted in oil-bearing formations in the zone 50-65 km from the baseline in the period 1 March - 31 August;
- No exploration drilling will be permitted in oil-bearing formations on Tromsøflaket outside 65 km from the baseline in the period 1 March - 31 August;

Planning of drilling activities and seismic surveys in the Barents Sea is expected to take place in consultation with the Fishery Authorities in order to reduce operational inconveniences for

the fisheries. Seismic activities must not disturb important spawning grounds for fish in this area.

With regards to possible developments in the predefined area in the Barents Sea, special emphasis will be put on preventive measures against unintentional discharges.

6. AGREEMENTS

The Licensees shall no later than thirty (30) days after the granting of this Petroleum Production Licence, enter into the enclosed:

- Joint Operating Agreement Concerning Petroleum Activities (the Joint Operating Agreement)
- Accounting Agreement Concerning Petroleum Activities (the Accounting Agreement)

Any subsequent supplements to, amendments of or exceptions from these agreements are subject to the Ministry's approval.

7. APPLICATION OF NORWEGIAN LAW

All activities carried out under this Petroleum Production Licence shall be governed by Norwegian law and be based on Norwegian contractual tradition.

[8. DEPLETION POLICY AND POLICY CONCERNING THE STATE'S FINANCIAL INTERESTS

The Licensees are obliged to adhere to the State's depletion policies and policies concerning the State's financial interests, as these policies are expressed in the Petroleum Production Licence and in relevant laws and regulations. If this obligation is not respected, the State or its manager may oppose a decision made by the Licensees.]

8. [9] EXEMPTION

Exemptions from the provisions of this Petroleum Production Licence may be granted by the Ministry or whomever it authorizes. An application for exemptions shall be submitted to the Ministry, with a copy to the NPD of all the documentation necessary to consider the application.

This Petroleum Production Licence is issued in **x** originals, of which one is retained by the Ministry.

Oslo, 200X

THE ROYAL MINISTRY OF PETROLEUM AND ENERGY