

SCHEDULE 1

Regulation 3(2)

MODEL CLAUSES FOR EXPLORATION LICENCES

Interpretation

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

“the Act” means the Petroleum Act 1998;

“the Exploration Area” means the area for the time being in which the Licensee may exercise the rights granted by this licence;

“Landward Area” means an area on the landward side of the baselines as set out in the Territorial Waters Order in Council 1964;

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

“the Minister” means the Secretary of State for Trade and Industry;

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

“Seaward Area” means an area on the seaward side of the baselines as set out in the Territorial Waters Order in Council 1964 in respect of which the Minister may grant a licence pursuant to Part I of the Act;

“Well” includes borehole.

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

Commencement Information

I1 Sch. 1 clause 1 in force at 5.3.2004, see [reg. 1](#)

Grant of Licence

2. In consideration of the payments hereinafter provided for and the performance and observance by the Licensee of all the terms and conditions hereof, the Minister, in exercise of the powers conferred upon him by the Act and all other powers in that behalf enabling him, hereby grants to the Licensee licence and liberty in common with all other persons to whom the like right may have been granted or may hereafter be granted during the continuance of this licence and subject to the provisions hereof to search for Petroleum in the strata in the islands and in the sea bed and subsoil in any Seaward Area and in those parts of any Landward Area which are below the low water line provided that no rights conferred by this Licence shall be exercisable in any area in respect of which a licence (not being a methane drainage licence) is for the time being in force, entitling the grantee thereof to search and bore for and get Petroleum, except with the agreement of the holder of that licence to the exercise in any such area of any such rights.

Commencement Information

I2 Sch. 1 clause 2 in force at 5.3.2004, see [reg. 1](#)

Status: Point in time view as at 05/03/2004.

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Prospecting methods

3. The right to search for Petroleum conferred by this licence shall include prospecting and carrying out geological surveys by physical or chemical means and drilling for the purpose of obtaining geological information about strata in the Exploration Area but shall not include any right to get Petroleum or any right to drill Wells for production of Petroleum or any other Well of a depth exceeding three hundred and fifty metres below the surface of the sea bed or such greater depth as the Minister may from time to time approve either generally or in relation to a particular Well or in relation to a class of Wells to which that Well belongs.

Commencement Information

I3 Sch. 1 clause 3 in force at 5.3.2004, see [reg. 1](#)

Term of licence

4. This licence unless sooner determined under any of the provisions hereof shall be and continue in force for the term of three years from (startdate), but may, if the Minister sees fit and the Licensee has at least three months before the expiry of the said term made a written request for its extension, be continued for a further period of three years.

Commencement Information

I4 Sch. 1 clause 4 in force at 5.3.2004, see [reg. 1](#)

Right of Licensee to determine licence

5. Without prejudice to any obligation or liability imposed by or incurred under the terms and conditions hereof the Licensee may at any time determine this licence by giving to the Minister not less than six months' previous notice in writing to that effect.

Commencement Information

I5 Sch. 1 clause 5 in force at 5.3.2004, see [reg. 1](#)

Payment of consideration for licence

6.—(1) The Licensee shall pay to the Minister during the term of this licence the consideration for the grant of this licence specified in Schedule 1 to this licence at the times and in the manner so specified.

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

Commencement Information

I6 Sch. 1 clause 6 in force at 5.3.2004, see [reg. 1](#)

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Commencement, abandonment and plugging of Wells

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

(2) The Licensee shall not abandon any Well without the consent in writing of the Minister except as provided in paragraphs (5) and (6) of this clause.

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

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

(5) Where the Licensee's rights in any area cease for the time being to be exercisable, by reason of the grant of such a licence as is mentioned in the proviso to clause 2 of this licence or by reason of the ending of any such agreement as is referred to in that proviso, the Licensee, unless the Minister otherwise determines, shall within one month after the date on which such rights cease to be exercisable plug any of the Licensee's Wells in that area.

(6) All the Licensee's Wells (other than Wells to which the last foregoing paragraph applies) in the Exploration Area shall, unless the Minister otherwise determines, be plugged by the Licensee not less than one month before the expiry or determination of the Licensee's rights under this licence.

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

Commencement Information

17 Sch. 1 clause 7 in force at 5.3.2004, see [reg. 1](#)

Distance of Wells from boundaries of Exploration Area

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

Commencement Information

18 Sch. 1 clause 8 in force at 5.3.2004, see [reg. 1](#)

Avoidance of harmful methods of working

9.—(1) The Licensee shall maintain all apparatus and appliances and all Wells which have not been abandoned and plugged as provided by clause 7 of this licence in good repair and condition and shall execute all operations in or in connection with the Exploration Area in a proper and workmanlike manner in accordance with methods and practice of exploration customarily used in good oilfield practice and without prejudice to the generality of the foregoing provision the Licensee shall take all steps practicable in order—

(a) to prevent the escape or waste of Petroleum discovered in the Exploration Area;

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- (b) to conserve the Exploration Area for productive operations;
- (c) to prevent damage to Petroleum-bearing strata;
- (d) to prevent the entrance of water through Wells to Petroleum-bearing strata; and
- (e) to prevent the escape of Petroleum into any waters in or in the vicinity of the Exploration Area.

(2) The Licensee shall comply with any instructions from time to time given by the Minister in writing relating to any of the matters set out in the foregoing paragraph. If the Licensee objects to any such instruction on the ground that it is unreasonable he may, within fourteen days from the date upon which the same was given, refer the matter to arbitration in manner provided by clause 21 of this licence.

(3) The Licensee shall give notice to the Minister of any event causing escape or waste of Petroleum, damage to Petroleum-bearing strata or entrance of water through Wells to Petroleum-bearing strata forthwith after the occurrence of that event 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.

Commencement Information

I9 Sch. 1 clause 9 in force at 5.3.2004, see [reg. 1](#)

Fishing and navigation

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

Commencement Information

I10 Sch. 1 clause 10 in force at 5.3.2004, see [reg. 1](#)

Licensee to keep records

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

- (a) the site of and number assigned to every Well;
- (b) the subsoil and strata through which the Well was drilled;
- (c) the casing inserted in any Well and any alteration to such casing;
- (d) any Petroleum, water, mines or workable seams of coal encountered in the course of such activities; and
- (e) such other matters as the Minister may from time to time direct.

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

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

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- (a) within any time limit specified in the request; or
- (b) if there is no time limit specified, within four weeks of the request.

Commencement Information

I11 Sch. 1 clause 11 in force at 5.3.2004, see [reg. 1](#)

Returns

12.—(1) The Licensee shall furnish to the Minister on or before the fifteenth day of each month in which this licence is in force a return in a form from time to time approved by the Minister of the progress of his operations in the Exploration Area. Such return shall contain—

- (a) a statement of the areas in which any geological work, including surveys by any physical or chemical means, has been carried out;
- (b) the number assigned to each Well, and in the case of any Well the drilling of which was begun or the number of which was changed in that month, the site thereof;
- (c) a statement of the depth drilled in each Well; and
- (d) a statement of any Petroleum, water, mines or workable seams of coal encountered in the course of the said operations.

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

(3) The Licensee shall furnish to the Minister such other information, including information in the form of maps and plans, as to progress of his operations in the Exploration Area as the Minister may from time to time require.

(4) The functions of the Minister under paragraph (3) of this clause shall not only be exercisable by him but also be concurrently exercisable by the Chancellor of the Exchequer.

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

- (a) within any time limit specified in the request; or
- (b) if there is no time limit specified, within four weeks of the request.

Commencement Information

I12 Sch. 1 clause 12 in force at 5.3.2004, see [reg. 1](#)

Licensee to keep samples

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

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- (2) The Licensee shall not dispose of any sample after the expiry of the said period of five years unless—
- (a) he has at least six months before the date of the disposal given notice in writing to the Minister of his intention to dispose of the sample; and
 - (b) the Minister or any person authorised by him has not within the said period of six months informed the Licensee in writing that he wishes the sample to be delivered to him.
- (3) The Minister or any person authorised by him shall be entitled at any time—
- (a) to inform the Licensee in writing that he wishes part of any sample preserved by the Licensee to be delivered to him; or
 - (b) to inspect and analyse any sample preserved by the Licensee.
- (4) The Licensee shall forthwith comply with any request for the delivery of the whole or any part of any sample which is made in accordance with the preceding provisions of this clause.

Commencement Information

I13 Sch. 1 clause 13 in force at 5.3.2004, see [reg. 1](#)

Reports to be treated as confidential

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

Provided that—

- (a) the Minister shall be entitled at any time to make use of any of the specified data for the purpose of preparing and publishing such returns and reports as may be required of the Minister by law;
- (b) the Minister shall be entitled at any time to furnish any of the specified data to the Natural Environment Research Council and to any other body of a like nature as may from time to time be carrying on activities of a substantially similar kind to the geological activities at present carried on by the said Council;
- (c) the Minister, the said Council and any such other body shall be entitled at any time to prepare and publish reports and surveys of a general nature using information derived from any of the specified data;
- (d) the Minister, the said Council and any other such body shall be entitled to publish any of the specified data of a geological, scientific or technical kind either—
 - (i) after the expiration of the period of five years beginning with the date when the data were due to be supplied to the Minister in accordance with clauses 12 or 13 of this licence, or if earlier, the date when the Minister received those data; or
 - (ii) 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.

Commencement Information

I14 Sch. 1 clause 14 in force at 5.3.2004, see [reg. 1](#)

Power to inspect records

15. 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 12(3) of this Licence; and
- (b) furnish that person 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.

Commencement Information

I15 Sch. 1 clause 15 in force at 5.3.2004, see [reg. 1](#)

Rights of access

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

- (a) to examine the installations, Wells, plant, appliances and works made or executed by the Licensee in pursuance of this licence and the state of repair and condition thereof; and
- (b) to execute any works or to provide and install any equipment which the Minister may be entitled to execute or provide and install in accordance with the provisions hereof.

Commencement Information

I16 Sch. 1 clause 16 in force at 5.3.2004, see [reg. 1](#)

Power to execute works

17. If the Licensee shall at any time fail to perform the obligations arising under the terms and conditions of clauses 7 or 9 of this licence then and in any such case the Minister shall be entitled, after giving to the Licensee reasonable notice in writing of his intention, to execute any works and to provide and install any equipment which in the opinion of the Minister may be necessary to secure the performance of the said obligations or any of them and to recover the costs and expenses of so doing from the Licensee.

Commencement Information

I17 Sch. 1 clause 17 in force at 5.3.2004, see [reg. 1](#)

Indemnity against third party claims

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

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Commencement Information

I18 Sch. 1 clause 18 in force at 5.3.2004, see [reg. 1](#)

Agreement not to assign

19. The Licensee shall not without the consent of the Minister in writing assign or part with any of the rights granted by this licence in relation to the whole or any part of the Exploration Area or grant any sub-licence in respect of any such rights.

Commencement Information

I19 Sch. 1 clause 19 in force at 5.3.2004, see [reg. 1](#)

Power of revocation

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

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

- (a) any consideration specified in Schedule 1 hereto or any part thereof being in arrear or unpaid for two months next after any of the days whereon the same ought to have been paid;
- (b) any breach or non-observance by the Licensee of any of the terms and conditions of this licence;
- (c) the bankruptcy of the Licensee;
- (d) the making by the Licensee of any arrangement or composition with his creditors;
- (e) if the Licensee is a company, the appointment of a receiver or administrator or any liquidation whether compulsory or voluntary;
- (f) if the Licensee is a company, the Licensee's ceasing to direct and control either—
 - (i) its operations under the licence; or
 - (ii) any commercial activities in connection with those operations from a fixed place within the United Kingdom;

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

Commencement Information

I20 Sch. 1 clause 20 in force at 5.3.2004, see [reg. 1](#)

Arbitration

21.—(1) If at any time any dispute, difference or question shall arise between the Minister and the Licensee as to any matter arising under or by virtue of this licence or as to their respective rights and liabilities in respect thereof then the same shall, except where it is expressly provided by this

licence that the matter or thing to which the same relates is to be determined, decided, approved or consented to by the Minister, be referred to arbitration as provided by the following paragraph.

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

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

- (a) for the word “arbitrator” in paragraph (2) of this clause there were substituted the word “arbiter”; and
- (b) for the words “the Lord Chief Justice of England”, in paragraph (2) there were substituted the words “the Lord President of the Court of Session”.

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

Commencement Information

I21 Sch. 1 clause 21 in force at 5.3.2004, see [reg. 1](#)

Ministry of Defence

22.—(1) The Licensee shall give the Ministry of Defence six months' prior notice of any installation movements within the Exploration Area.

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

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

Commencement Information

I22 Sch. 1 clause 22 in force at 5.3.2004, see [reg. 1](#)

Department for the Environment Food and Rural Affairs/Scottish Executive

23.—(1) The Licensee shall appoint a fisheries liaison officer who shall agree suitable arrangements with the seismic survey and supply vessel owners of any vessels employed by the Licensee, their masters and with the organisations which represent the local fishing industry in order to promote good working relationships between the various parties. The setting up of the arrangements shall be the responsibility of the Licensee. In particular the Licensee shall—

- (a) consult the organisations which represent the local fishing industry about the sea routes to be used by any vessels employed by the Licensee;
- (b) after informing the Secretary of State of the result of such consultations, agree with him measures to be used to minimise interference with fishing activities without thereby unreasonably increasing transit times;

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- (c) ensure that the agreed sea routes are used unless safety of navigation or security of cargo considerations dictate otherwise; and
 - (d) take all reasonable steps to ensure that a responsible person who is fluent in English is a member of the crew of any vessels employed by the Licensee.
- (2) The Licensee shall make every effort to locate and remove, without unreasonable delay, any debris resulting from the licensed activities. The Licensee shall consult the relevant fishing organisations on the method of clearance and inform the Secretary of State of the result of such consultation. If as a result of such consultation the Secretary of State determines that the method of clearance of debris should be modified, such modifications shall be observed by the Licensee.
- (3) Claims for damage to or loss of gear or loss of fishing time arising from reported debris shall be dealt with promptly by the Licensee.

Commencement Information

I23 Sch. 1 clause 23 in force at 5.3.2004, see [reg. 1](#)

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