1964 No. 708

CONTINENTAL SHELF

PETROLEUM

The Petroleum (Production) (Continental Shelf and Territorial Sea) Regulations 1964

Made - - - -	12*th May* 1964
Laid before Parliament	13*th May* 1964
Coming into Operation	15*th May* 1964

The Minister of Power in pursuance of the powers conferred upon him by section 6 of the Petroleum (Production) Act 1934(a) and by that section as applied by section 1(3) of the Continental Shelf Act 1964(b), and of all other powers him enabling, hereby makes the following Regulations:—

Commencement and Citation

1. These Regulations shall come into operation on 15th May 1964 and may be cited as the Petroleum (Production) (Continental Shelf and Territorial Sea) Regulations 1964.

Interpretation

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

" block " has the meaning assigned thereto in Regulation 5(4);

" the Minister " means the Minister of Power;

" methane drainage licence " means a licence to get natural gas in the course of operations for making and keeping safe mines whether or not disused;

" the Regulations of 1935 as amended " has the meaning assigned thereto by Regulation 3(2).

(2) The Interpretation Act 1889(c) shall apply to the interpretation of these Regulations as it applies to the interpretation of an Act of Parliament.

Applications of the Regulations

3.—(1) These Regulations shall have effect in relation to applications for, and the model clauses to be prescribed for inclusion, unless the Minister thinks fit to modify or exclude them in any particular case, in, licences (other than methane drainage licences) to search and bore for, and get, petroleum in the sea bed and subsoil under territorial waters of Great Britain or in the sea bed and subsoil of any designated area.

(2) The provisions of the Petroleum (Production) Regulations 1935(d) as amended by the Petroleum (Production) (Amendment) Regulations 1954(e) and the Petroleum (Production) (Amendment) Regulations 1957(f) in these Regulations collectively referred to as " the Regulations of 1935 as amended " shall cease to have effect in relation to applications for, or

(a) 24 & 25 Geo. 5. c. 36. (b) 1964 c. 29. (c) 52 & 53 Vict. c. 63.
(d) S.R. & O. 1935/426 (Rev. XVIII, p. 46: 1935, p. 1360).
(e) S.I. 1954/1378 (1954 II, p. 1773). (f) S.I. 1957/1697 (1957 II, p. 1849).

model clauses to be included in, any licence (other than a methane drainage licence) to search and bore for, and get, petroleum in any area to which these Regulations apply unless the applicant therefor is, at the date of coming into force of these Regulations, by virtue of a right contained in a prospecting licence, entitled to the grant of a mining licence and in any such case the Regulations of 1935 as amended shall have effect in relation to any application made pursuant to that right.

Applicants for licences

4. Persons who are citizens of the United Kingdom and Colonies and are resident in the United Kingdom or who are bodies corporate incorporated in the United Kingdom may apply in accordance with these Regulations for

(*a*) a production licence ; or

(*b*) an exploration licence.

Applications for licences

5.—(1) An application for either type of licence shall be made in writing and shall be in the form set out in Schedule 1 hereto or in a form substantially to the like effect, sent to the Secretary, The Ministry of Power, London, S.W.1, and shall be accompanied by the appropriate fee and by such evidence in support thereof as is referred to in that Schedule and is appropriate to that application.

(2) If any of the matters stated in an application shall change after the application is made but before a licence is granted or the Minister informs the applicant that the application is refused, the applicant shall forthwith give notice in writing to the Minister giving particulars of the change.

(3) Every application for a production licence pursuant to these regulations shall be—

(*a*) in respect of one or more blocks described or specified by a notice published in accordance with the next following paragraph ;

(*b*) lodged not earlier than or later than the dates specified by such a notice as the dates after and before which respectively the Minister is prepared to receive applications in respect of the blocks so specified ;

and shall not comprise any part of a block.

(4) The notice referred to in the last foregoing paragraph is a notice published from time to time by the Minister in the London Gazette, the Edinburgh Gazette and the Belfast Gazette describing or specifying by reference to a map deposited at the principal office of the Ministry of Power, and at such other places (if any) as may be specified in the notice, areas (in these Regulations referred to as " blocks ") to which reference numbers shall be assigned, in respect of which he is prepared to receive applications for production licences and specifying the dates within which applications in respect of the blocks so specified are to be made.

(5) An application for an exploration licence may be made in respect of the whole or any part of the area referred to in Regulation 3(1) but shall not have any effect in relation to any area in which a production licence granted pursuant to an application under these Regulations or a prospecting or mining licence under the Regulations of 1935 as amended is for the time being in force.

(6) Nothing in this Regulation shall prevent more than one application being made by the same person or more than one licence being granted to him.

Fees

6.—(1) With every application for a production licence there shall be paid a fee of two hundred pounds with an additional fee of five pounds for every block after the first ten in respect whereof that application is made.

(2) With every application for an exploration licence there shall be paid a fee of twenty pounds.

Form of Licences

7. Every production licence and every exploration licence shall incorporate the model clauses respectively set out in Schedule 2 and Schedule 3 hereto unless the Minister thinks fit to modify or exclude them in any particular case.

Dated 12th May 1964.

F. J. Erroll,
Minister of Power.

SCHEDULE 1

FORM OF APPLICATION FOR A PRODUCTION LICENCE OR AN EXPLORATION LICENCE

1. Name of the applicant in full.

2. If application is by an individual—

(*a*) Usual residential address

(*b*) Evidence of nationality accompanying the application

3. If the application is by a body corporate—

(*a*) Place of incorporation

(*b*) Principal place of business

(*c*) Place of central management and control

(*d*) Particulars of the members of the board of directors or other governing body of the body corporate, as follows:—

(1) Full names	(2) Usual residential addresses	(3) Nationalities

4. If the application is by a body corporate for a production licence —

(*a*) Particulars of capital authorised and issued as follows:—

(1) Class of Capital	(2) Amount authorised	(3) Amount issued	(4) Voting rights of each class

Column (4) need not be completed if a copy of the memorandum and articles of association, or other document setting out or defining the constitution, of the body corporate accompanies the application.

(*b*) Particulars of all holdings of not less than 5 per cent. in number or value of any class of capital which has been issued by the body corporate as follows:—

(1) Name of holder, or names of joint holders, in full	(2) Class of Holding	(3) Amount	(4) Nationality of Holder(s)

(c) Particulars of all capital issued to bearer, as follows:—

(1) Class of Capital	(2) Total amount issued	(3) Amount issued to bearer

5. Type of licence applied for, and if a production licence, reference number(s) of the block(s) in respect whereof the application is made.

I/We hereby declare that the information given above or annexed to this application is correct.

Date

Signature of Applicant(s) or in the case of a body corporate, of a duly authorised officer whose capacity is to be stated.

To the Secretary,
Ministry of Power,
London, S.W.1.

SCHEDULE 2

Model Clauses for Production 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 of 1934" means the Petroleum (Production) Act 1934;

"the Act of 1964" means the Continental Shelf Act 1964;

"block" means an area comprised in the licence which is delineated on the reference map deposited at the principal office of the Ministry of Power and to which a reference number was assigned at the date of this Licence;

"continuing part" has the meaning assigned thereto by Clause 5 (the marginal note whereof is "Option to continue licence as to part of the licensed area");

"development scheme" has the meaning assigned thereto by Clause 19 (the marginal note whereof is "Unit development");

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

"half year" means the period from 1st January to 30th June in any year and the period from 1st July to 31st December in any year;

"the licensed area" means the area for the time being in which the Licensee may exercise the rights granted by the Licence;

"the Minister" means the Minister of Power;

"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;

"surrendered part" has the meaning assigned thereto by Clause 5 (the marginal note whereof is "Option to continue licence as to part of the licensed area");

"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.

Right to search and bore for and get petroleum.

2. In consideration of the payments and royalties hereinafter provided and the performance and observance by the Licensee of all the terms and conditions hereof, the Minister, in exercise of the powers conferred upon him by the Act of 1934 and the Act of 1964, hereby grants to the Licensee EXCLUSIVE LICENCE AND LIBERTY during the continuance of this Licence and subject to the provisions hereof to search and bore for, and get, petroleum in the sea bed and subsoil under the sea area comprising an area of square kilometres more particularly described in Schedule 1 hereto being the area comprising block(s) No. on the reference map deposited at the principal office of the Ministry of Power:

Provided that nothing in the Licence shall affect the right of the Minister to grant a methane drainage licence in respect of the whole or any part of the licensed area or affect the exercise of any rights so granted.

Term of Licence.

3. This Licence unless sooner determined under any of the provisions hereof shall be and continue in force for the term of six years next after 19 , but may be renewed as to a part of the area comprised in this Licence in manner hereinafter provided.

Right of Licensee to determine Licence or surrender part of licensed area.

4. Without prejudice to any obligation or liability imposed by or incurred under the terms and conditions hereof the Licensee may, at any time during the said term of six years, by giving to the Minister not less than twelve months' previous notice in writing to that effect, determine this Licence or surrender any part of the licensed area, being a part which complies with Clause 7 hereof (the marginal note whereof is " Areas surrendered ").

Option to continue Licence as to part of the licensed area.

5.—(1) At any time not later than three months before the expiration of the said term of six years the Licensee paying the payments and royalties hereinafter provided and observing and performing the conditions herein contained may give notice in writing to the Minister that he desires the Licence to continue as to a part of the licensed area (hereinafter called " the continuing part ") in the manner hereinafter provided and to determine as to the residue thereof (hereinafter called " the surrendered part ").

(2) Such notice shall describe the surrendered part which shall together with any area previously surrendered in accordance with Clause 4 hereof (the marginal note whereof is " Right of Licensee to determine Licence or surrender part of licensed area "), not be less than one half of the area originally comprised in this Licence.

(3) Such notice shall specify a date not later than the expiry of the said term of six years upon which the surrendered part is to be surrendered.

(4) This Licence shall upon the option conferred by this clause being duly exercised and subject to the provisions of this Licence continue in respect of the continuing part for a term of forty years next after the date specified in the said notice.

Right of Licensee to determine extended term or surrender part of the licensed area.

6. Without prejudice to any obligation or liability imposed by or incurred under the terms hereof the Licensee may at any time during such term of forty years by giving to the Minister not less than two years' notice in writing to that effect, determine this Licence or surrender any part of the licensed area, being a part which complies with Clause 7 hereof (the marginal note whereof is " Areas surrendered ").

Areas surrendered.

7.—(1) Any area to be surrendered by the Licensee pursuant to any of the last three foregoing clauses shall—

(*a*) be bounded by lines which unless they are boundaries of the area originally comprised in the Licence run either due north and south or due east and west;

(*b*) not comprise any part of a block being a part having an area of less than eighty square kilometres.

(2) Upon the date upon which any determination of the Licence or any surrender of part of the licensed area in manner provided by the last three foregoing clauses is to take effect the rights granted by the Licence shall cease in respect of the licensed area or of the part so surrendered as the case may be but without prejudice to any obligation or liability imposed upon the Licensee or incurred by him under the terms of the Licence prior to that date.

Payment of consideration for Licence.

8.—(1) The Licensee shall pay to the Minister during the said term of six years of this Licence and during the said term of forty years if the option therefor hereinbefore contained is duly exercised unless either of such terms shall sooner be terminated the consideration by way of royalty or otherwise for the grant of this Licence, determined by the Minister with the consent of the Treasury, specified in Schedule 2 hereto, at the times and in the manner so specified.

(2) The Licensee shall not by reason of determination of the Licence or surrender of any part of the licensed area be entitled to be repaid or allowed any sum payable to the Minister pursuant to the Licence before the date of determination or surrender.

Measurement of petroleum obtained from the licensed area.

9.—(1) The Licensee shall measure or weigh by a method or methods customarily used in good oilfield practice and from time to time approved by the Minister all petroleum won and saved from the licensed area.

(2) The Licensee shall not make any alteration in the method or methods of measurement or weighing used by him or any appliances used for that purpose without the consent in writing of the Minister and the Minister may in any case require that no alteration shall be made save in the presence of a person authorised by the Minister.

(3) The Minister may from time to time direct that any weighing or measuring appliance shall be tested or 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 test or examination as the Minister may specify.

(4) If any measuring or weighing appliance shall upon any such test or examination as is mentioned in the last foregoing paragraph be found to be false or unjust the same shall if the Minister so determines after considering any representations in writing made by the Licensee be deemed to have existed in that condition during the period since the last occasion upon which the same was tested or examined pursuant to the last foregoing paragraph.

Keeping of accounts.

10.—(1) The Licensee shall keep in the United Kingdom full and correct accounts in a form from time to time approved by the Minister of—

(*a*) the quantity of petroleum in the form of gas won and saved;

(*b*) the quantity of petroleum in any other form won and saved;

(*c*) the name and address of any person to whom any petroleum has been supplied by the Licensee, the quantity so supplied, the price or other consideration therefor and the place to which the petroleum was conveyed pursuant to the agreement for such supply;

(*d*) such other particulars as the Minister may from time to time direct.

(2) The quantities of petroleum stated in such accounts may exclude any water separated from the petroleum and shall be expressed—

(*a*) in the case of petroleum in the form of gas, as volumes in cubic metres measured at, or calculated as if measured at, a temperature of 0 degrees Centigrade and a pressure of one kilogramme force per square centimetre;

(*b*) in any other case as weights in metric tons.

(3) Such accounts shall state separately the quantities used for the purposes of carrying on drilling and production operations and pumping to field storage, and quantities not so used, and in the case of petroleum not in the form of gas shall state the specific gravity of the petroleum and if petroleum of different specific gravities has been won and saved, the respective quantities of each specific gravity.

(4) The Licensee shall within two months after the end of each half year in which this Licence is in force and within two months after the expiration or determination of this Licence deliver to the Minister an abstract in a form from time to time approved by the Minister of the accounts for that half year or for the period prior to such expiration or determination as the case may be.

Value of petroleum.

11.—(1) The Licensee shall within two months after the end of each half year in which this Licence is in force and within two months after the expiration or determination of this Licence deliver to the Minister a statement (in this clause referred to as a "statement of value") in a form from time to time approved by the Minister of the values of all quantities of petroleum won and saved in the licensed area during that half year or during the period prior to such expiration or determination as the case may be for the purpose of calculating royalties which the Licensee is required by the Licence to pay to the Minister.

(2) If any such quantity is sold before the end of the half year in which it is won and saved or within two months thereafter the value thereof included in the statement of value shall, unless there is in force a direction applicable to that quantity pursuant to paragraph (6) of this clause that this paragraph shall not apply, be the sums for which such quantity is sold:

Provided that if a contract of sale—

(i) requires the Licensee to convey a quantity to any place outside the licensed area the Licensee shall state the costs incurred by him in conveying the quantity sold under that contract to the place to which it is thereby required to be conveyed and may deduct from the value thereof included in the statement of value the reasonable amount of such costs;

(ii) is not a contract in respect of which the conditions set out in paragraph (4) of this clause are satisfied the value to be included in the statement of value shall be the sum for which that quantity could have been sold to a willing purchaser under a contract in respect of which those conditions were satisfied, but otherwise upon the same terms as were applicable to the sale of that quantity.

(3) In any case to which the last foregoing paragraph does not apply the value to be included in the statement of value shall be the sum for which the quantity so won and saved could have been sold in the United Kingdom to a willing purchaser at the time at which such quantity was won and saved under a contract requiring the Licensee to deliver the petroleum to the nearest place in the United Kingdom to which the Licensee could deliver it, being a contract conforming to the conditions set out in the next following paragraph less a deduction for the reasonable amount of the costs incurred by the Licensee of conveying that quantity to that place of delivery.

(4) The conditions referred to in paragraph (2) hereof and in the last foregoing paragraph are—

(*a*) the contract price is the sole consideration for the sale;

(*b*) neither the Licensee nor any person associated in business with him has any interest direct or indirect in the subsequent resale or disposal of the petroleum or any product thereof;

(*c*) there has not been and will not be any commercial relationship between the Licensee and the buyer, whether created by contract or otherwise, other than that created by the sale.

(5) For the purposes of the last foregoing paragraph two persons shall be deemed to be associated in business with one another if, whether directly or indirectly, either of them has any interest in the business or property of the other, or both have a common interest in any business or property, or some third person has an interest in the business or property of both of them.

(6) A direction that paragraph (2) of this clause shall not apply may be given by the Minister by notice in writing to the Licensee at any time and shall have effect from the date specified in such notice not being a date earlier than the beginning of the half year in which any quantity of petroleum to which the direction applies is won and saved. Any such direction may be revoked by the Minister in the like manner without prejudice to the giving of a further such direction.

(7) If any direction that paragraph (2) of this clause shall not apply is such that values complying therewith are required to be substituted for any values contained in a statement of value which has already been delivered, the Licensee shall within thirty days of the service of the notice containing that direction deliver to the Minister a revised statement of value including, in respect of all quantities to which that direction applies, values complying therewith.

(8) Unless within three months of the delivery of any statement of value or revised statement of value as the case may be the Minister gives notice to the Licensee that any value included therein is in dispute the values so included shall be conclusive for the purpose of calculating royalties which the Licensee is required to pay to the Minister but if such notice is given the dispute shall be referred to arbitration in the manner provided by Clause 33 hereof (the marginal note whereof is " Arbitration ").

Working obligations.

12. The Licensee shall during the term hereby granted carry out with due diligence the scheme of prospecting and development including any geological survey by any physical or chemical means or programme of test drilling or any of them set out in Schedule 3 to this Licence.

Commencement and abandonment and plugging of wells.

13.—(1) The Licensee shall not commence, or after abandoning in manner hereinafter provided, shall not recommence the drilling of any 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 paragraph (5) 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 or depth of the well or its direction or if any condition under either of the foregoing paragraphs relates to any casing, 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) All wells in any part of the licensed area shall, unless the Minister otherwise determines, be plugged by the Licensee not less than one month nor more than three months before the expiry or determination of the Licensee's rights under this Licence in relation to the licensed area or that part thereof.

(6) 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.

Distance of wells from boundaries of licensed area.

14. 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 licensed area.

Provision of storage tanks pipes pipelines or other receptacles.

15. The Licensee shall use methods and practice customarily used in good oilfield practice for confining the petroleum obtained from the licensed area in tanks gasholders pipes pipelines or other receptacles constructed for that purpose.

Avoidance of harmful methods of working.

16.—(1) The Licensee shall maintain all apparatus and appliances and all wells in the licensed area which have not been abandoned and plugged as provided by Clause 13 hereof (the marginal note whereof is "Commencement and abandonment and plugging of wells") in good repair and condition and shall execute all operations in or in connection with the licensed area in a proper and workmanlike manner in accordance with methods and practice 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 control the flow and to prevent the escape or waste of petroleum discovered in or obtained from the licensed area;

(*b*) to conserve the licensed area for productive operations;

(*c*) to prevent damage to adjoining petroleum bearing strata;

(*d*) to prevent the entrance of water through wells to petroleum bearing strata except for the purposes of secondary recovery; and

(*e*) to prevent the escape of petroleum into any waters in or in the vicinity of the licensed 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 33 hereof (the marginal note whereof is "Arbitration").

(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 except for the purposes of secondary recovery within three days of the occurrence of that event.

Fishing and navigation.

17. The Licensee shall not carry out any operations authorised by this Licence in or about the licensed area in such manner as to interfere unjustifiably with navigation or fishing in the waters of the licensed area or with the conservation of the living resources of the sea.

Safety health and welfare of employees.

18. The Licensee shall comply with any instructions from time to time given by the Minister in writing for securing the safety health and welfare of persons employed in or about the licensed area.

Unit development.

19.—(1) If at any time in which this Licence is in force the Minister shall be satisfied that the strata in the licensed area or any part thereof form part of a single geological petroleum structure or petroleum field (hereinafter referred to as "an oil field") other parts whereof are formed by strata in areas in respect of which other licences granted in pursuance of the Act of 1934 or of that Act as applied by the Act of 1964 are then in force and the Minister shall consider that it is in the national interest in order to secure the maximum ultimate recovery of petroleum and in order to avoid unnecessary competitive drilling that the oilfield should be worked and developed as a unit in co-operation by all persons including the Licensee whose licences extend to or include any part thereof the following provisions of this clause shall apply.

(2) Upon being so required by notice in writing by the Minister the Licensee shall co-operate with such other persons, being persons holding licences under the Act of 1934 or that Act as applied by the Act of 1964 in respect of any part or parts of the oil field (hereinafter referred to as

"the other Licensees") as may be specified in the said notice in the preparation of a scheme (hereinafter referred to as "a development scheme") for the working and development of the oilfield as a unit by the Licensee and the other Licensees in co-operation, and shall, jointly with the other Licensees, submit such scheme for the approval of the Minister.

(3) The said notice shall also contain or refer to a description of the area or areas in respect of which the Minister requires a development scheme to be submitted and shall state the period within which such scheme is to be submitted for approval by the Minister.

(4) If a development scheme shall not be submitted to the Minister within the period so stated or if a development scheme so submitted shall not be approved by the Minister, the Minister may himself prepare a development scheme which shall be fair and equitable to the Licensee and all other Licensees, and the Licensee shall perform and observe all the terms and conditions thereof.

(5) If the Licensee shall object to any such development scheme prepared by the Minister he may within 28 days from the date on which notice in writing of the said scheme shall have been given to him by the Minister refer the matter to arbitration in the manner provided by Clause 33 hereof (the marginal note whereof is "Arbitration").

Disposal of petroleum.

20.—(1) The Licensee shall ensure that all petroleum won and saved from the licensed area other than petroleum used therein for the purpose of carrying on drilling and production operations or pumping to field storage and refineries shall be delivered on shore in the United Kingdom unless the Minister gives notice of his consent in writing to delivery elsewhere, and in such case the Licensee shall ensure compliance with any conditions subject to which that consent is given.

(2) Any conditions imposed by the Minister on a consent under the foregoing paragraph may, without prejudice to the generality of the Minister's right to impose conditions of any nature, include provision—

(*a*) as to the place of delivery;

(*b*) as to the price to be obtained for the petroleum to which such consent relates;

(*c*) as to the time within which and the manner in which payment of the price is to be made; and

(*d*) requiring payment to be made to a person resident in the United Kingdom.

Licensee to keep records.

21.—(1) The Licensee shall keep 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; 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 licensed area and such other records in relation thereto as may be necessary to preserve all information which the Licensee has about the geology of the licensed area.

(3) The Licensee shall deliver copies of the said records, plans and maps referred to in the two foregoing paragraphs to the Minister as and when required.

Returns.

22.—(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 licensed 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 has been changed in that month, the site thereof;

(*c*) a statement of the depth drilled in each well;

(*d*) a statement of any petroleum, water, mines or workable seams of coal encountered in the course of the said operations; and

(*e*) a statement of all petroleum won and saved.

(2) Within two months after the end of each calendar year in which this Licence is in force and within two months after the expiration or determination of this Licence or any renewal thereof 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 in the licensed 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 development and other works executed by him in connection with searching, boring for or getting 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 operations in the licensed area as the Minister may from time to time require.

Licensee to keep samples.

23. As far as reasonably practicable the Licensee shall correctly label and preserve for reference for a period of six months samples of the sea bed and of the strata encountered in any well and samples of any petroleum or water discovered in any well in the licensed area. The Minister or any person authorised by him shall be entitled to require that part of any such sample be delivered to him and to retain any sample or part thereof so delivered, and shall be entitled to inspect and analyse any samples kept by the Licensee.

Reports to be treated as confidential.

24. All records, returns, plans, maps, accounts and information 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. The Minister shall nevertheless be entitled at any time to make use of any information received from the Licensee for the purpose of preparing and publishing such returns and reports as may be required of the Minister pursuant to the Act of 1934 or the Act of 1964 or otherwise required by law.

Power to inspect records.

25. Any person authorised by the Minister may at all reasonable times inspect and make abstracts or copies of any records, returns, plans, maps or accounts which the Licensee is required to keep or make in accordance with the provisions of this Licence.

Rights of access.

26. 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 or equipment used or to be used in connection with searching, boring for or getting petroleum in the licensed 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 the 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.

Power to execute works.

27. If the Licensee shall at any time fail to perform the obligations arising under the terms and conditions of any of the Clauses of this Licence the numbers and marginal notes whereof are as follows:—

(*a*) Clause 9 (Measurement of petroleum obtained from the licensed area);

(*b*) Clause 13 (Commencement and abandonment and plugging of wells);

(*c*) Clause 15 (Provision of storage tanks pipes pipe-lines or other receptacles);

(*d*) Clause 16 (Avoidance of harmful methods of working);

(*e*) Clause 18 (Safety health and welfare of employees);

then and in any such case the Minister shall be entitled, after giving to the Licensee reasonable notice in writing of such 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.

Right of distress.

28. If and whenever any of the considerations by way of royalty or otherwise specified by Schedule 2 hereto or any part thereof shall be in arrear or unpaid for 28 days next after any of the days whereon the same ought to be paid (whether the same shall have been legally demanded or not) then and so often as the same may happen the Minister may (as an additional remedy and without prejudice to the power of distress and any other rights and remedies to which he would be entitled) enter into and upon any of the Licensee's installations and equipment used or to be used in connection with searching, boring for or getting petroleum in the licensed area and may seize and distrain and sell as a landlord may do for rent in arrear all or any of the stocks of petroleum engines machinery tools implements chattels and effects belonging to the Licensee which shall be found in or upon or about the installations and equipment so entered upon and out of the moneys arising from the sale of such distress may retain and pay all the arrears of the said consideration and also the costs and expenses incident to any such distress and sale rendering the surplus (if any) to the Licensee.

Note: *When the licensed area is situate in Scottish territorial waters or in a designated area or part of a designated area in respect of which an Order in Council has been made pursuant to Section* 3(2) *of the Act of* 1964 *making provision for the determination of questions in accordance with the law in force in Scotland the following provision will be substituted for the foregoing clause.*

28. If and whenever any of the considerations by way of royalty or otherwise specified by Schedule 2 hereto or any part thereof shall be in arrear or unpaid for 28 days next after any of the days whereon the same ought to be paid (whether the same shall have been legally demanded or not) then and so often as the same may happen the Minister may (as an additional remedy and without prejudice to any other rights and remedies to which he would be entitled) do diligence in respect thereof in like manner as a landlord may do diligence in respect of unpaid arrears of rent and such diligence shall be effectual to attach all or any of the stocks of petroleum engines machinery tools implements and other effects belonging to the Licensee which shall be found on or about any of the Licensee's installations and equipment used or to be used in connection with searching, boring for or getting petroleum in the licensed area, and where in pursuance of such a diligence a sale of such effects as shall have been attached thereby takes place the Minister may out of the proceeds thereof retain and pay all the arrears of the said consideration and also the expenses of and incident to such diligence and sale and shall pay the surplus thereof (if any) to the Licensee.

Indemnity against third party claims.

29. 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.

Advertisements, prospectuses, etc.

30. No statement shall be made either in any notice advertisement prospectus or other document issued by or to the knowledge of the Licensee or in any other manner claiming or suggesting whether expressly or by implication that Her Majesty or any Government Department or any person or body acting on behalf of Her Majesty has or have formed or expressed any opinion that the licensed area is from its geological formation or otherwise one in which petroleum is likely to be obtainable.

Agreement not to assign.

31. 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 licensed area or grant any sub-licence in respect of any of such rights.

Power of revocation.

32.—(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 2 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 any liquidation whether compulsory or voluntary;

(*f*) any breach or non-observance by the Licensee of the terms and conditions of a development scheme;

(*g*) the Licensee's ceasing to be a citizen of the United Kingdom and colonies or to be resident in the United Kingdom, or in the case of a company, ceasing to have its central management and control in the United Kingdom.

Arbitration.

33.—(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 directed 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 in accordance with the Arbitration Act 1950 by a single arbitrator who, in default of agreement between the Minister and the Licensee and, in the case of arbitration in relation to a development scheme, other Licensees affected by that scheme, as to his appointment, shall be appointed by the Lord Chief Justice of England for the time being.

(3) In the case of any such arbitration which relates to a development scheme the Licensee shall unless the arbitrator otherwise determines perform and observe the terms and conditions of the development scheme pending the decision of the arbitrator.

Note: *Where the licensed area is situate in Scottish territorial waters or in a designated area or part of a designated area in respect of which an Order in Council has been made pursuant to Section* 3(2) *of the Act of* 1964 *making provision for the determination of questions in accordance with the law in force in Scotland the following provisions will be substituted for the last two foregoing paragraphs.*

(2) The arbitration referred to in the foregoing paragraph shall be by a single arbiter who, in default of agreement between the Minister and the Licensee and, in the case of arbitration relating to a development scheme, other Licensees affected by that scheme, as to his appointment, shall be appointed by the Lord President of the Court of Session.

(3) In the case of any such arbitration which relates to a development scheme the Licensee shall unless the arbiter otherwise determines perform and observe the terms and conditions of the development scheme pending the decision of the arbiter.

Note: *Schedules to each Licence will* (1) *identify the blocks to which the Licence relates,* (2) *provide for the payment by the Licensee of sums agreed between the Minister and the Treasury which may include initial payments on the grant of the Licence, annual payments payable in advance and royalties based upon the value of petroleum recovered,* (3) *set out working obligations.*

Licences will be executed as deeds in duplicate by all parties thereto.

SCHEDULE 3

Model Clauses for Exploration Licences

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

"the Act of 1934" means the Petroleum (Production) Act 1934;

"the Act of 1964" means the Continental Shelf Act 1964;

"block" means an area delineated on the reference map deposited at the principal office of the Ministry of Power;

"the exploration area" means the area for the time being in which the Licensee may exercise the rights granted by the Licence;

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

"the Minister" means the Minister of Power;

"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;

"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.

2. In consideration of the payments hereinafter provided 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 of 1934 and the Act of 1964, 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 sea bed and subsoil under the territorial waters of Great Britain and all areas which are for the time being designated pursuant to Section 1(7) of the Act of 1964 as areas in which rights are Right to search for petroleum.

exercisable by the United Kingdom outside territorial waters with respect to the sea bed and subsoil and their natural resources:

Provided that this Licence shall not confer any rights to search in blocks in respect of which a licence (not being a methane drainage licence) entitling the grantee thereof to search and bore for and get petroleum has been granted and that the rights hereby granted shall determine in respect of any block upon the grant by the Minister to any person of such a licence in respect thereof.

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.

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 next after 19 .

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 during the said term of three years determine this Licence by giving to the Minister not less than six months' previous notice in writing to that effect.

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, determined by the Minister with the consent of the Treasury, specified in Schedule 1 hereto, at the times and in the manner so specified.

(2) The Licensee shall not by reason of determination of the 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 the Licence.

Commencement and abandonment and plugging of wells.

7.—(1) The Licensee shall not commence, or after abandoning in manner hereinafter provided, shall not recommence the drilling of any 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 or depth of the well or its direction or if any condition under either of the foregoing paragraphs relates to any casting, 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 block determine by reason of the grant of such a licence as is mentioned in the proviso to Clause 2 hereof (the marginal note whereof is "Right to search for petroleum") the Licensee shall within one month thereafter plug any of the Licensee's wells in that block.

(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 nor more than three months 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.

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.

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 hereof (the marginal note whereof is "Commencement and abandonment and plugging of wells") 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 ;

(*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 22 hereof (the marginal note whereof is "Arbitration").

(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 within three days of the occurrence of that event.

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.

Safety health and welfare of employees.

11. The Licensee shall comply with any instructions from time to time given by the Minister in writing for securing the safety health and welfare of persons employed in or about the exploration area.

Licensee to keep records.

12.—(1) The Licensee shall keep 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; 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 which 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 as and when required.

Returns.

13.—(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 in 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.

Licensee to keep samples.

14. As far as reasonably practicable the Licensee shall correctly label and preserve for reference for a period of six months samples of the sea bed and of the strata encountered in any of the Licensee's wells and samples of any petroleum or water discovered in any of the Licensee's wells in the exploration area. The Minister or any person authorised by him shall be entitled to require that part of any such sample be delivered to him and to retain any sample or part thereof so delivered, and shall be entitled to inspect and analyse any samples kept by the Licensee.

Reports to be treated as confidential.

15. All records, returns, plans, maps and information 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. The Minister shall nevertheless be entitled at any time to make use of any information received from the Licensee for the purpose of preparing and publishing such returns and reports as may be required of the Minister pursuant to the Act of 1934 or the Act of 1964 or otherwise required by law.

Power to inspect records.

16. Any person authorised by the Minister may at all reasonable times inspect and make abstracts or copies of any records, returns, plans or maps which the Licensee is required to keep or make in accordance with the provisions of this Licence.

Rights of access.

17. 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 the 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.

Power to execute works.

18. If the Licensee shall at any time fail to perform the obligations arising under the terms and conditions of any of the Clauses of this Licence the numbers and marginal notes whereof are as follows:—

(*a*) Clause 7 (Commencement and abandonment and plugging of wells) ;

(*b*) Clause 9 (Avoidance of harmful methods of working) ;

(*c*) Clause 11 (Safety health and welfare of employees) ;

then and in any such case the Minister shall be entitled, after giving to the Licensee reasonable notice in writing of such 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.

Indemnity against third party claims.

19. 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.

Agreement not to assign.

20. 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 of such rights.

Power of revocation.

21.—(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 any liquidation whether compulsory or voluntary ;

(*f*) the Licensee's ceasing to be a citizen of the United Kingdom and colonies, or to be resident in the United Kingdom, or in the case of a company, ceasing to have its central management and control in the United Kingdom.

Arbitration.

22.—(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 in accordance with the Arbitration Act 1950 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:

Provided that if any such dispute difference or question arises solely out of any act or omission taking place in Scottish territorial waters or in a designated area or part of a designated area in respect of which an Order in Council has been made pursuant to Section 3(2) of the Act of 1964 making provision for the determination of questions in accordance with the law in force in Scotland the arbitration referred to in the foregoing paragraph shall be by a single arbiter who, in default of agreement between the Minister and the Licensee as to his appointment, shall be appointed by the Lord President of the Court of Session.

Note: *A schedule to each Licence will provide for the payment by the Licensee of sums agreed between the Minister and the Treasury which may include annual payments payable in advance.*

Licences will be executed as deeds in duplicate by all parties thereto.

EXPLANATORY NOTE

(*This Note is not part of the Regulations, but is intended to indicate their general purport.*)

These Regulations set out the requirements for applications for licences to search and bore for, and get, petroleum to be issued under the Petroleum (Production) Act 1934 as applied by the Continental Shelf Act 1964, or to be issued under the first mentioned Act in respect of areas in the territorial waters of the United Kingdom, except in those cases where existing holders of prospecting licences are entitled to apply for mining licences, to which the Petroleum (Production) Regulations 1935 as amended will continue to apply. Those Regulations as amended will also continue to apply to methane drainage licences.

These Regulations also prescribe the model clauses to be incorporated, unless the Minister thinks fit to modify or exclude them in a particular case, in licences granted in pursuance of applications under these Regulations.