

32nd Round Questions & Answers- Version 2 (11st July 2019)

NOTE that Policy questions 1 to 24 below have been retained from the 30th & 31st Round, but renumbered. Any new questions will be added at the foot of the relevant section.

Questions raised by potential applicants concerning this Round for answer by the OGA should be *emailed* to the contacts below. The OGA will aim to post any *new* questions and answers within five working days on this page.

Questions will only be answered in this way, to ensure that the same information is available to everyone at the same time, in the interests of a transparent and fair process.

Contacts to be e-mailed with your questions (*please send to both contacts as this ensures your question will be dealt with quickly in the case of either contact not being in the office*):

Licensing_Round@ogauthority.co.uk

Questions regarding LARRY should be directed initially to the Portal Help Desk.

LARRY Queries – Portal Helpdesk
Tel: 0300 067 1682
Email: ukop@ogauthority.co.uk

Questions and Answers will be split into two sections; one section will relate to Policy issues around the Licence Round; the other relates to the LARRY system.

To view a new Q & A, scroll to the *end* of the relevant section. **New Questions and Answers at the bottom of List (NOTE new questions on Block on Offer has been added).**

Policy

PQ1. How does the phase approach work for a single application multi-block bid. Does each block within the application require its own phase timing or does the phase timing relate to the single application. Can individual blocks have a longer or shorter phase than others, within the same bid. Or do all blocks in a multi-block bid require the same phase timings?

For example, if you have a single application which includes 5 blocks, can you have a single Phasing structure which might include Geotechnical Phase A for all blocks but only 2 Phase C drill or drop wells. Or does every one of the 5 blocks need to have its own Phase A and Phase C and can the timing for each block be slightly different?

Our understanding is that the blocks will be input and scored separately in the LARRY system even though they are part of a single application, is this correct and how does this relate to a joint work programme and scoring.

PA1: A single Application can contain a number of different Blocks, either

- 1) in the same Area which the Applicant might want us to consider offering as a single Licence, or
- 2) in the same Area but which might potentially result in a number of Licences, or

3) in several different Areas which would result in a number of separate Licences.

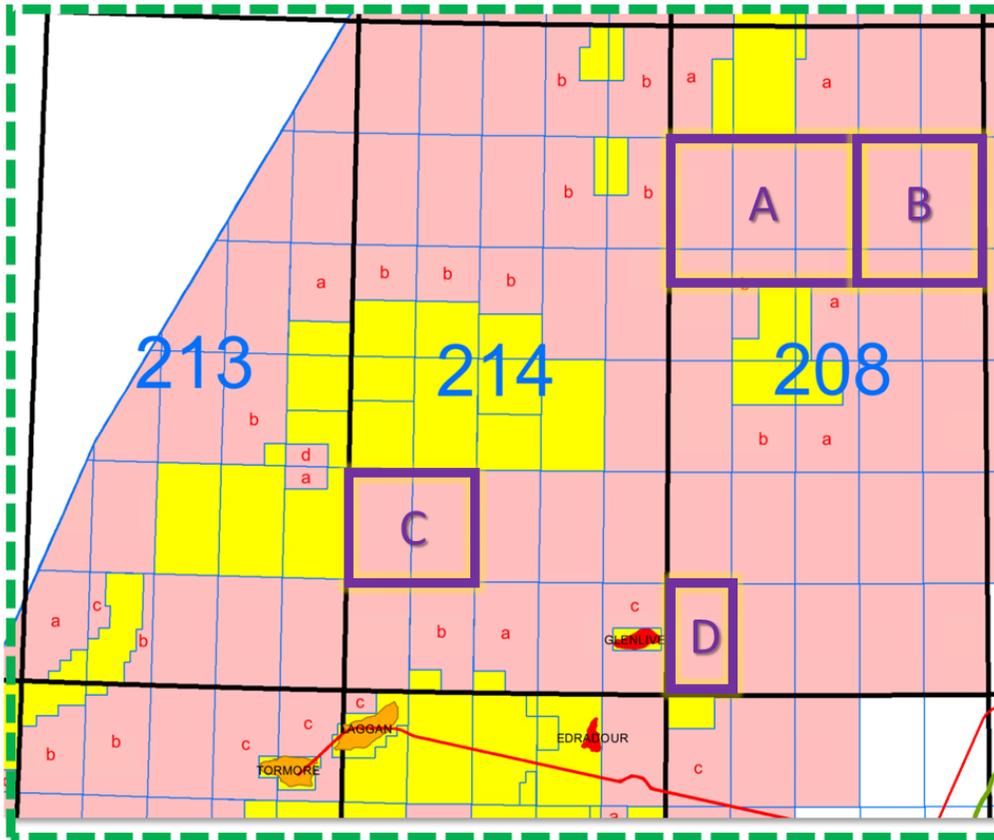
Each Licence can contain up to 10 blocks in total (whole blocks or part-blocks), and blocks must be contiguous within the licence (corner connections are invalid).

Each Licence must have its own work programme, and this is what the phase timing should relate to. In other words, ***all blocks within a single potential licence must have the same phasing***. If there are contiguous blocks that require fundamentally different work programmes, and hence phasing, it is preferable for these to be defined as separate licences. However, if the work required on each block only differs slightly, the applicant should consider the optimal phasing that can accommodate this work.

Potential Licences that have the same Start Phase Type can be submitted within a single application, even if they are geographically separate.

Note that *some elements* of the published Marks Scheme relate to block-specific evaluations of prospectivity and discoveries, and so to discriminate between competing applications, the OGA will mark on a block-by-block basis. Actual and proposed coverage of seismic data will also be taken into account when evaluating individual blocks. However, since the potential *licence* will have an overall defined phasing, the phase timing marks will be the same for each block in that group.

Area of Interest



Example:

A single Area of Interest comprises four proposed Licences covering multiple blocks:

Licence A (7-Year Initial Term):

Proposed Phasing: Phase A - 2 years, Phase B - 3 years, Phase C - 2 years

Work Programme: A- Reprocess existing 3D seismic and carry out basin modelling, B – Shoot, process and interpret new multi-azimuth 3D survey, C – Drill an exploration well.

The Application must be submitted into LARRY under the ***'Innovate with either Phase A or Phase B or both' option***

Licence B (3-Year Initial Term):

Proposed Phasing: Phase C only – 3 years

Work Programme: Plan and drill an exploration well

A second Application must be *submitted into LARRY as 'Innovate with Phase C only'*

Note: Although licence areas A & B are contiguous and could be contained within a single licence, their work programmes and phasing are fundamentally different and therefore require two separate licences. Applicants should note any dependencies between licences (e.g. failure of well in Licence B may result in exit from Licence A during Phase B).

Licence C (4-Year Second Term):

Proposed Phasing: Straight to second term for Field Development Planning.

A third Application must be *submitted into LARRY as 'Straight to Second Term'*

Licence D (2-Year Initial Term):

Proposed Phasing: Phase C only – 2 years

Work Programme: Plan and drill an exploration well

The Application must be *submitted into LARRY as 'Innovate with Phase C only'*

Note: this licence application could be submitted to LARRY together with the application for Licence B, even though they are geographically separate, and with different durations, since they have the same start phase type.

PQ2: What Mark does a Contingent well attract?

PA2: A Contingent well will not attract any actual Marks directly as the Financial capacity to drill will not have been considered (the Application will have been submitted under the Phase A/B option in LARRY. Marks will be allocated on the basis of the Start Phase only, so where a Contingent well might be suggested but the Start Phase is Phase A, the Marks will be allocated for a Phase A Start (i.e. 0 to 10). Where the Start Phase is Phase B, New-Shoot Seismic, then Phase B Start attracts 20 to 40 Marks depending on whether the duration of that Phase is considered Long or Short by the OGA.

A Contingent well is one where the decision whether to drill or not is ceded to the OGA. Whether or not a well will be drilled depends on dialogue to be held with the OGA as the end of Phase B (or Phase A if there is no Phase B) approaches. Where a waiver for the Contingent well is sought the OGA requires a minimum of six months' notice. If the well is proposed to be drilled, Financial capacity checks will be carried out prior to entry into Phase C.

PQ3: I am looking at the 31st Round technical guidance and cannot find a full definition (or reference) relating to contingent commitments. Grateful if you could direct me to the relevant text that now applies.

Assuming it is similar to the 30th Round, where the case to be relieved of the commitment is in the hands of OGA and they insist the well is drilled in accordance with MER policy, then what happens where the licence holder does not have the financial capability to drill e.g. where the licensee is essentially a 'promote' type company. No doubt the licence would then end but my concern is that, where there is no financial capacity check made at the time of application for a Phase B new shoot seismic and contingent well, is it appropriate (all other things being equal) and fair on those who already have such capability, to accept a contingent commitment without considering anything about the applicant's financial capability?

PA3: A *Contingent Drilling Commitment* is also a commitment to the Secretary of State to drill a well, but it includes specific provision for the OGA to waive the commitment if we agree that drilling would not be an appropriate use of resources, having regard to the MER UK policy, and all the information available to the OGA at the time of consideration, in particular the agreed evaluation of specified further technical work (e.g. a technical study based on a new seismic survey). If the Licensee feels that the well is not justified, it must make a technical and, where appropriate, economic case to the OGA to have the commitment waived, ***no later than one year prior to the end of the Initial Term.***

PQ4: Will any agreed work programme 'amendments' (as described in the new Model Clauses) be made publicly available showing when agreed and how revised?

PA4: The OGA does not intend to make Work Programme "amendments" publicly available. They are usually made by letter agreement where minor, or by Deed of Amendment if of a more substantive nature, such as a different Geological horizon for the well depth. Before agreeing to any amendment, the OGA considers whether any competitor at the time of the original Application would be disadvantaged, but it is effectively an agreement between the OGA and the current Licensees, based on the data and information available at the time.

PQ5: Is there anything to prevent a Company applying for a Block (or series of Blocks) with one Group which identifies prospectivity in one part of the Block(s) also applying for the same Block(s) with a different Group which sees different prospectivity in another part of the Block(s).

Example: block 35/15 is open and named as being available in 30th Round.

Company A is interested in prospectivity in 2 parts of block 35/15, in the west with company B, and in the east with company C.

Given that applications need to be made for whole blocks and company A does not want to bid together with company B & company C –

Does company A need to submit 2 applications for block 35/15, one with company B with a work programme, clearly indicating area of interest, one with company C with a different area of interest and work programme?

PA5: There is nothing in the Guidance which says this cannot be done. Whilst whole Block(s) available have to be applied for, Groups can identify preferred areas of the Block(s). Two separate Applications will need to be submitted as the potential Licensees will be different, and separate Work Programmes would apply.

PQ6: What are the Rental Rates for the Second Term?

PA6: Rentals for the Second and Third Terms are indicated in Annexe 1 of the General Guidance paragraph 1) (d) “on each subsequent date after the Initial Term:” so the annual Rentals increase until the 10th year when they are fixed at £7,500 for the remainder of the Licence.

PQ7: What does a Straight to Second Term look like?

PA7: The Second Term, effectively for Appraisal and other work leading to Field Development Plan approval prior to its expiry, is also of flexible duration and should be designed by the Applicant to fit the expected programme of work that will result in an approved FDP. The applicant should outline their proposed work with a timeline showing key milestones and dependencies. In paragraph 15 of the Technical Guidance the OGA states that “The requested duration of the Second Term should be indicated (normally 4 years for Developments or Re-Developments in mature areas but with a maximum duration of 6 years).”

PQ8: Where the Application is for a Straight to Second Term (potential) Licence, what is an appropriate Pre-Development Programme?

PA8: A programme of work is required to demonstrate how the Applicant proposes to progress the Discovery, or Field where Production has ceased, to an approvable Field Development Plan (FDP) prior to the end of the Second Term.

The OGA cannot be prescriptive as to what this Plan may comprise, but it would be expected that a description of the subsurface would be supplied, proposals as to how the hydrocarbons would be developed, proposed facilities concepts and solutions, offtake routes, the application of new and emerging technologies, contracting strategies, etc, as far as is known at the time of Application, and a timeline with the work flow to reach FDP submission demonstrating an understanding of the processes necessary to gain approval.

Note that in paragraph 26 of the Technical Guidance, the Work Programme referred to in the first sentence is that for the Initial Term of a Licence. Where there is an Initial Term, there is an obligation on the Licensees to fulfil the elements of a formal Work Programme.

For the Second Term, the OGA is requesting a programme of work, which is not an obligation, but if no FDP is approved, then the Licence will Determine at the end of that Term. Through stewardship activities, the OGA will monitor the programme of work to ensure that sufficient progress is made on an ongoing basis, and that suitable corrective action is taken as and when necessary.

PQ9: Applicants must provide an Appendix C, concerning HSE related aspects. Is an Environmental Sensitivity Assessment required as part of a potential Initial Term Phase A entry license application or can this be delayed until an appropriate time before commencing offshore operations?

PA9: The Department for Business, Energy and Industrial Strategy (BEIS) have advised that all applications, including those for just a Phase A, will need to be supported by an environmental sensitivity assessment.

PQ10: Can the OGA further clarify its guidance on the circumstances under which they will accept a well conditional on a well in a neighbouring licence block?

PA10: A Contingent well would be accepted where a clear link can be demonstrated between the dependencies (geological or operational) between adjacent licences. For example, if new shoot seismic acquisition was planned where there was insufficient seismic to tie to a well in a nearby Block, or where positive derisking in one well would improve the technical and economic evaluation of a well in the same play segment.

PQ11: Can the OGA further clarify why it would not allow contingent wells based on the results of other wells, should there be a potential outcome that the first well effectively condemns the other?

PA11: This only applies where the Contingent well is bid in the same Licence Application as a Firm well. It would therefore be in effect a double bid. Only one well commitment will be counted per licence.

PQ12: Can OGA please confirm how it will protect the confidentiality of technology plans and seismic processing technologies as expressed in Appendices B and arising from interviews?

PA12: The OGA only publishes Work Programmes of successful Applications when a Licence becomes extant. Those Work Programmes are usually generic rather than specific so details of technology plans and seismic processing technologies will not be released. All commercially sensitive documentation provided to the OGA should be clearly marked as such so that the OGA can apply the relevant IT policies to protect the applicant's intellectual property.

PQ13: What is the mechanism for the Licensee dropping the licence between Phases of the Initial Term. For instance, if the licensee does not see sufficient potential after Phase A, are they able to relinquish the licence at that stage, before committing to seismic acquisition in Phase B? Considering the points system then, is seismic acquisition within the Geotechnical work programme considered to be 'committed', or does an applicant win points for including seismic in Phase B, even though the licence can be dropped after Phase A?

PA13: An Applicant for a Phase A Innovate Licence who fulfills the Work Programme for that Phase need not continue the Licence into Phase B if the evidence does not support further work. A discussion will take place as necessary with the OGA towards the end of each Phase to determine whether or not the Licensees wish the Licence to continue into the next phase, and if so what the actual programme of work will be. Entry to Phase C will be on the premise of a Firm well only. If Contingent seismic is indicated where the start Phase is Phase A, the discussion indicated above will determine whether the Licence would continue into Phase B with the Contingent Seismic, which at that point would become Firm. Whether an Applicant wins points for including seismic in Phase B, even though the Licence can be dropped in Phase A, has been answered previously.

PQ14: The Q&A (PA3), on whether a contingent well attracts marks, appears somewhat inconsistent. It states that a contingent well will not attract any actual Marks directly as the financial capacity to drill will not have been considered. However it goes on to say that marks will be attracted where a contingent well is considered as part of the phase A/B timing commitment. Why does a lack of financial capacity consideration rule out one form of assessment but not the other?

PA14: A Contingent well suggested where the start Phase is Phase A will not attract Marks. Where the Start Phase is Phase B, Financial viability will be checked for the new shoot seismic which, by definition, requires a Contingent well to be committed such that the OGA makes the decision at the end of Phase B as to whether a well is drilled but the Financial capability to actually drill the well will not be assessed going from Phase A to Phase B. Towards the end of Phase B, discussion will take place with the OGA as to whether a well will be drilled or not. A waiver on Technical grounds may be sought, or commercial criteria applied if a prospect remains but is not considered economic to drill. If neither of those criteria are proven then the OGA would expect the Licence to move into Phase C with a Firm well.

PQ15: What is the definition of contingent seismic? There appear to be subtle differences in ?30th Round licences where some seismic contingency requirements include the proviso condition ‘unless the OGA agrees that’ whilst others only say ‘in the licensees reasonable assessment’. Is this consistent?

PA15: Where Contingent seismic is indicated in Phase A, there will be a discussion towards the end of that Phase prior to either progressing into Phase B, or dropping the Licence. The OGA will assess the interpretation made by the Licensees and will not allow the Licence to continue into Phase B unless the seismic acquisition is confirmed, but if it is agreed that new shoot seismic is not necessary, either the Licence will be dropped, or may (in exceptional circumstances) agree continuation into Phase C for a well to be drilled.

PQ16: In the situation where an application is made for a licence comprising multiple blocks, with Phase C as the start phase and a single firm well commitment, do the 100 marks (assuming short duration) apply just to the block which contains the ready-to-drill prospect, or to every block comprising the licence application? I would have assumed the former, but the response to one of the Q&A topics made me question this: “*Note that some elements of the published Marks Scheme relate to block-specific evaluations of prospectivity and discoveries, and so to discriminate between competing applications, the OGA will mark on a block-by-block basis. Since the potential licence will have an overall defined phasing, the phase timing marks will be the same for each block in that group*”

PA16: As the marking will be comparative on a Block by Block basis, the Marks will be associated with the Block or Blocks where the Prospect is situated. If a Prospect is split between, say, two Blocks then the OGA may allocate half the Marks to one Block and half to the adjacent Block but only where that is comparable with any competing Application. If a prospect is perceived to be the same in essence even if it is mapped in a slightly different location then the Marks allocated will reflect the similarities.

PQ17: As a follow-up to this: if the same scenario above applied but with a two firm well commitment, how are marks credited for this? The mark scheme almost suggests that you only get credit for the phasing (applied across an entire licence application), but not for the number of wells you commit to drill. I’m sure extra credit must be given for a multiple well commitment, but can’t see how this would be applied in the mark scheme?

PA17: Only One Firm well will be marked per potential Licence, *unless it is unambiguously clear that the wells are to different targets, with NO dependency of the results from one of the wells to another.*

PQ18: I was wondering if you could clarify a query I had regarding the mark scheme reference document.

Per the “β” note it states that “An above-ground evaluation should be provided for all applications where the Initial Term is Phase C or the Licence start term is the Second Term”. Should this be interpreted as:

- a) All submissions will be marked on their Above Ground Evaluation, but it's mandatory for Phase C or Second Term applications, OR
- b) Only applications for Phase C or Second Term should have an Above Ground Application and it won't contribute to marks for Phase A or B applications.

PA18: Above-ground evaluation would be expected for a Phase C Initial Term or the Licence start term is the Second Term. Where a well-thought out, relevant, above-ground evaluation is submitted for a Phase A/B Application, the OGA would mark it.

PQ19: I was also wondering if there was any more detailed official guidance regarding above ground evaluation?

PA19: The OGA has not provided guidance for any of the three areas in the Above-Ground Evaluation as it is difficult to be prescriptive. Information provided will be assessed (as stated above) on its relevance to the prospectivity and the area concerned.

PQ20: If one enters into a Phase A Initial Term licence and one proposes to move into Phase C and drill a well after x years, is there a problem to drill a well earlier if progress is made quicker than planned in the study phase? Or is it also possible to first move into Phase B before and delaying Phase C possibly. In other words, can the proposed Work Programme be adjusted along the way with new data coming to light?

PA20: The Innovate Licence is devised to be flexible; the Applicant is able to specify the Work Programme and timescale that suits the prospectivity they have identified, within a framework. There is nothing to prevent the successful Applicant from drilling earlier than originally proposed (although this should be discussed with the OGA at the annual review). Requests for extensions to any Phase would be considered, as always, but first, a charge may apply and secondly, it would be expected that contingencies such as further information requirements would be built into the Programme. For example, if there is only 2D seismic available in an area, it would be prudent to include a Phase B for shooting 3D seismic to enable any well to be drilled on the best data.

PQ21: We see from the Seaward Marks Scheme Summary that in the "Geotechnical database used" section use of 3D seismic gets 40 marks maximum whereas Well data gets 5 marks maximum. Is this 5 per well or 5 for using every available well? Wells provide as much information relevant to petroleum production as seismic data and should receive comparable weighting.

PA21: In the Marks Scheme the "Geotechnical database used" Well data is 5 Marks (max) overall as the OGA would expect the Applicant to have reviewed appropriate well data in the area of the Block(s) they are applying for. Well data is comparatively easy and inexpensive to view through CDA or at OGA Offices where the microfiche of released wells is available on appointment. Enhanced well datasets can also be purchased from OGA's appointed release agents, and for this licence round, the OGA has made a subset of the wells available for download through CDA with no charge.

Again it would be expected that the available seismic data would have been reviewed but as this is usually subject to purchasing a Licence to view, with varying costs associated, if an Applicant can demonstrate that it has done this then it will attract some Marks.

PQ22: With regard to the potential work programme marks, would a seismic purchase in Phase A gain a maximum of 20 points as detailed in the "Geotechnical work programme" section or 30 points (20 plus a potential 10 for short duration as detailed in the "Phase Timing Mark" section)? Likewise, shooting a new 3D seismic in Phase B, would that gain a maximum of 60 points as indicated in the Geotechnical Work Programme section or 100 (60 + 40

for short duration)? Answer PA6 seems to indicate that 0 to 10 and 20 to 40 are only available for Phase A and B work programmes respectively.

Can I also confirm that you would potentially get zero marks for a proposed phase B work programme if you entered the licence in Phase A other than a potential 5 marks maximum for contingent seismic? i.e. reprocess seismic in phase A with contingent new shoot seismic in phase B – you would only get 5 marks max for phase B. Or, an EM study in Phase A and firm new seismic in phase B – again you would only get marked for your Phase A work programme as that's the phase that you are entering.

PA22: An Application where the Start Phase is Phase A could attract 20 marks for 3D seismic purchase (maximum; depending on the type of seismic data) plus 10 marks for phase timing (maximum; short phase timing). An Application where the Start Phase is Phase B (ie shooting new seismic) could attract 60 marks for the new 3D shoot seismic (maximum; depending on the type of seismic data) plus 40 marks for phase timing (maximum; short phase timing) in addition to marks for previously purchased or reprocessed seismic which will attract the relevant marks in the 'Geotechnical Database Used' section . The answer to PQ6 only covered the Start Phase timing marks.

If the Start Phase is Phase A then you would only attract marks pertaining to the Phase A Work Programme unless Contingent seismic is committed which will attract 5 additional marks. It should be noted that the decision as to whether the seismic should then be shot is ceded to the OGA, so where an Applicant was intending to move from Phase A to Phase C to drill a well without having shot the Phase B Contingent seismic, this would be assessed technically to ensure the new shoot seismic is not necessary to drill the well.

For the final part of the question, if the new Seismic is being made as a Firm commitment then the Start Phase should be Phase B. There is nothing preventing studies at the same time. However, if the EM studies (or any other studies) are to be undertaken to inform whether new seismic should be shot, then that would be classed as Phase A start and Contingent seismic (as above).

PQ23: When defining the work programme on a block-by-block basis, a well commitment is required.

If a prospect is straddling block boundaries, is the well, intended to test the prospect to be listed for each of the blocks? In this case, on a per block basis, multiple wells would be listed, but the joint work programme for all blocks combined (the license work programme) would only contain a single well.

PA23: Where it is obvious that a Prospect straddles one or more Blocks, the OGA will check the Joint Work Programme, which should only be for one well (whether Drill or Drop, Contingent, or Firm), as the Applicant sees fit. But a Work Programme for each Block should still be supplied, and if a Contingent or Firm well is being committed by the Applicant, the Work Programme for the Block where the well is recommended should contain that specific Work Programme.

PQ24: Can you clarify some confusion during a JV discussion on the initial term of a 31st Round licence.

1. the maximum period for a Phase A &/or B holding is 4 years after which the company has to commit to drill a well or drop the block?
2. The initial term is 4 years including Drill or Drop which can only be extended to 6 years by exception.

PA24: It may be easier to answer the questions together. Paragraphs 12 and 13 of the Technical Guidance provide the reference for this. For the 30th Round the OGA *expected* that the overall Initial Term in most areas would be no longer than 6 years, and the Second Term the maximum duration no more than 4 years (This is same expectation for the 32nd Round).

For the 31st Round, where acreage is considered more frontier, the Initial Term and Second term durations may be longer, but we have set maxima at 9 years and 6 years respectively.

The OGA would hope that, as the Licences are more flexible and are being requested to suit what the Applicants propose to carry out within a timeframe set by the Applicants, that Extensions to either (or both) Terms would not be necessary in future. However, they will be considered, on a case by case basis, and a charge applies.

Within the Initial Term potentially comprising three Phases, each Phase in the more mature areas can be of a maximum length of 4 years, but should ideally fit within the maximum Initial Term of 6 years (see above). For the more frontier areas, the maximum length of the Initial Term should not exceed 9 years. The Examples below can be adjusted for that length (but shorter, realistic, timeframes are preferred in all cases).

Examples may be (but not limited to):

Phase A	2 years (Before the end of which Commit to new shoot seismic)
Phase B	2 years (Before the end of which Commit to a well to move into Phase C or drop the Licence)
Phase C	2 years
OR	
Phase A	1 year (Before the end of which Commit to new shoot seismic, or - subject to any Contingency – Commit to drill a Firm well with no Phase B necessary)
Phase B	2 years (Before the end of which Commit to a well to move into Phase C or drop the Licence)
Phase C	3 years
OR	
Phase A	1 year (Before the end of which Commit to a well to move into Phase C or drop the Licence)
Phase B	N/A if no new seismic is proposed
Phase C	4 years
OR	
Phase A	N/A if no studies proposed
Phase B	3 years (Firm new seismic)
Phase C	3 years
OR	
Phase A	N/A
Phase B	N/A
Phase C	4 years (Firm well commitment; well to be drilled within 4 years where well planning is the only outstanding work).

PQ25: Looking at the UKCS map supporting the 32nd Round press release, 32nd Round blocks on offer are in a reddish colour. I see that certain areas are shaded grey, highlighted as 32nd Round Indicative Areas.

Why are these referred to as Indicative Areas?

What is the difference between Blocks on Offer and Indicative Areas?

PA25:

The “Indicative Areas” are the polygons showing the outline of the areas potentially included in the Round.

The “Blocks on Offer” are the actual unlicensed blocks that are being offered in the Round

It will have been noted that there were unlicensed Blocks within the 32nd Round Indicative Area that have not been included in the list of Blocks available in the Round. There may be further announcements regarding some or all of those Blocks, which may be included later within the 32nd Round, potentially offered separately (Out of Round), or will remain withheld.

In addition, the OGA has made a statement regarding the opportunity to propose additional Blocks (“The OGA is also offering companies the opportunity to propose additional blocks in adjacent areas, for possible inclusion where applicants intend to commit to a substantial firm work programme. **Submissions should be made to the OGA in writing before 16:00 GMT on 18th July 2019.**”). The OGA will consider those requests in due course and will publicise the addition of any Blocks in the Q & A for the Round on the website.

NOTE: A number of blocks have been incorrectly indicated as on Offer in the 32nd Round Press Release map; however, they were previously included in the 31st Supplementary Round. These blocks should not have been included. The map in the Open Data link is correct.
