

APPLICATIONS FOR PRODUCTION LICENCES GENERAL GUIDANCE- JULY 2019

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GUIDANCE FOR APPLICANTS

Companies who want to participate in the exploitation of the UK's oil & gas resources need (among other things) a Production Licence from the Oil and Gas Authority (the OGA).

The OGA operates a competitive system for awarding Production Licences. Most such licences are applied for, and issued, in Licensing Rounds.

This note is intended to be used as guidance for applicants for Production Licences, and sets out how to complete, support and submit an application. The OGA's website ([Oil and gas: licensing rounds](#)) carries pointers to other useful information, including general information about the Licensing system and the availability of technical data.

This note offers general guidance about the OGA policy and a high-level overview of the process. It is not a substitute for any regulation or law, and is not legal advice.

There are separate and more detailed guidance notes about safety, environmental, technical and financial aspects of the OGA's decisions. If you have any further queries, or need clarification of anything discussed here, there is a list of [Contacts](#) at the end.

- 1) Anyone who wants to explore for, drill for or extract oil or gas in the UK (except onshore Northern Ireland) must hold a licence issued under the Petroleum Act 1998¹ by the OGA.
- 2) Applications for such licences can only be made in response to a formal invitation from the OGA. We post these invitations in the Official Journal of the European Union, and advertise them prominently on the [OGA](#) website². Usually we issue general invitations in Licensing Rounds, either onshore or offshore, but exceptionally we may invite out-of-round applications for small areas in response to a request from a company. The invitation will specify the acreage on offer.
- 3) Applications are made through a part of the UK's Energy Portal called LARRY (the **L**icence **A**pplications **R**epository). Applicants will first need to get a Portal account, which is a quick and easy process. There is guidance³ about gaining access to LARRY elsewhere on this website.
- 4) There is an Application fee.
- 5) The OGA will only award a licence to an applicant that meets certain minimum financial, technical and other criteria, which depend in detail on the circumstances and the type of licence being applied for (see [The Applicant](#)). Those applicants who meet our criteria will be considered in competition with other applicants. The OGA usually interviews such applicants about their technical understanding of the acreage and the Work Programme offered (we always do so where there is competition for the same acreage). After interview, we mark each application against a Marks Scheme.
- 6) The OGA has discretion in deciding whether or not to issue a licence (see "[How decisions are reached](#)"); and if so, to whom and on what conditions. Where there is competition for the same acreage, the award will generally be that which the OGA

¹ See <http://www.legislation.gov.uk/ukpga/1998/17/contents>.

² See <https://www.ogauthority.co.uk/licensing-consents/licensing-rounds/>.

³ See link: "Guidance about use of LARRY" associated with guidance about a particular Round at <https://www.ogauthority.co.uk/licensing-consents/licensing-rounds/>.

believes best serves the policy of maximising economic recovery of UK petroleum, subject to compliance with all relevant legal provisions. In particular, all applications will be determined in accordance with the terms of the Hydrocarbons Licensing Directive Regulations 1995 (1995/1434)¹, the Petroleum Licensing (Applications) Regulations 2015 (2015/766), as amended², and the Offshore Petroleum Licensing (Offshore Safety Directive) Regulations 2015 (2015/385)³. Further guidance about the Offshore Safety Directive can be found on the HSE website⁴. The mark awarded after interview is an important factor in determining applications but it may not be the only one (see [How decisions are reached](#)).

TYPE AND TERM OF LICENCE

In spite of their name, Production Licences cover exploration, appraisal and production. There are separate types of Production Licence for the onshore and offshore provinces.

The acreage to be offered in individual Rounds will be specified in Maps and lists of Blocks published at the opening of each particular Round.

7) In spite of their name, Production Licences cover exploration and appraisal as well as production.

8) There are two types of Production Licence, described more fully elsewhere on the OGA website⁵ and in the Technical Guidance document⁶.

- a) the Seaward “Innovate” Production Licence; and
- b) the Landward Production Licence (formally called the Petroleum Exploration and Development Licence).

9) The terms and conditions of the licences on offer (“Model Clauses”) are set out in Regulations, though the OGA may offer licences on modified terms in particular cases. For Petroleum Exploration and Development Licences, the Model Clauses are set out in the Petroleum Licensing (Exploration and Production) (Landward Areas) Regulations 2014 (2014/1686)⁷ and for Seaward Production Licences, they are in the Petroleum Licensing (Production) (Seaward Areas) Regulations 2008 (2008/225)⁸, as amended.

10) The rentals schedules for each type of licence are attached at Annexe 1.

11) Where a licence is held by more than one company, each one bears full joint-and-several liability to the OGA.

12) Companies who only wish to carry out seismic surveys and not to drill, and who do not require exclusive rights, might consider applying for an Exploration Licence⁹. There are separate Exploration Licence types for the landward and seaward areas. Each one covers the entire seaward/landward area (but needs the licensee’s permission to be

¹ See <http://www.legislation.gov.uk/ukxi/1995/1434/contents/made>

² See <http://www.legislation.gov.uk/ukxi/2015/766/contents/made>

³ See <http://www.legislation.gov.uk/ukxi/2015/385/contents/made>

⁴ See <http://www.hse.gov.uk/osdr/>

⁵ See <http://www.hse.gov.uk/osdr/guidance/index.htm>

⁶ See link: “Guidance about the Technical aspects of any application” on “[Oil and gas: licensing rounds](#)”.

⁷ See <http://www.legislation.gov.uk/ukxi/2014/1686/contents/made>

⁸ See <http://www.legislation.gov.uk/ukxi/2008/225/contents/made>

⁹ See <https://www.ogauthority.co.uk/licensing-consents/types-of-licence/>

used in the area covered by a Production Licence), and is cheaper and simpler to get than a Production Licence.

THE APPLICANT

An application can come from a single company or from a group of companies. The companies may be either British or foreign, but there are minimum residence requirements.

All applicants must demonstrate financial viability. Some may have to demonstrate financial capacity and competence at the time of application.

- 13) An application may be made by a single company, or by a group of companies.
- 14) The applicant (and each individual party to an application) must meet certain criteria, depending on the type of licence being applied for.
- 15) All applicants must demonstrate financial viability¹.
- 16) In addition:
 - a) An applicant for an Innovate Seaward Licence with a Phase A and/or a Phase B must satisfy BEIS and HSE that the award would be compliant with the Offshore Safety Directive Regulations.
 - b) An applicant for an Innovate Seaward Licence with neither a Phase A nor a Phase B must satisfy the OGA of its financial capacity and operator competence, and BEIS and HSE that the award would be compliant with the Offshore Safety Directive Regulations.
 - c) An applicant for a Landward Licence must demonstrate financial capacity and operator competence.
- 17) A single application can be made for any amount of acreage, provided that the list of companies, their proposed equity interests, and (where appropriate) the operator are the same throughout. The fact that geographically-separate areas would not be covered by a single licence does not mean they cannot be combined on the same application; which may save an applicant several application fees. However, a single application cannot combine applications for licences of different categories as set out in the previous paragraph.
- 18) In this section:
 - a) “financial capacity”¹ means the capacity to fund the Work Programme (in the case of a Phase C-only Work Programme or a Landward Licence) or the proposed (re)development (in the case of a Straight-to-Second-Term Licence). It must be clearly available to the applicant at the time of application, and not be subject to uncertain future events like share issues; and
 - b) “operator competence”² means the competence to carry out in accordance with the principles of MERUK the activities that would be permitted under the licence

¹ See link: “Guidance about the Financial aspects of any application” on “<https://www.ogauthority.co.uk/licensing-consents/licensing-system/licensee-criteria/>”

² See link: “Guidance about the Technical aspects of any application” on “[Oil and gas: licensing rounds](#)”.

during the Initial Term or Second Term in the case of a Straight-to-Second-Term Licence.

19) The Offshore Safety Directive Regulator has published guidance about the Offshore Safety Directive¹.

20) Where the Applicant is proposing a Phase C-only Work Programme (i.e. straight to drilling) over some acreage at the same time as Work Programmes with a Phase A and/or a Phase B over other acreage, it must submit a **separate** Application because the requirements for Financial Capability and Technical Competence are different.

21) Where an Applicant has applied Phase A or Phase B, any award will show as “No Operator” because the Competencies for Operatorship have not been reviewed. These checks will be carried out prior to a request to progress from Phase A/B to Phase C.

22) To be awarded a licence, a company must be registered in the UK, either as a company or as a branch of a foreign company². The application must include the Registered Name, Address and Number of each company that is to hold the licence.

23) The OGA will not award a licence to a company other than the one named in the application, so applicants should decide exactly which company/ companies they want to hold the licence, and ensure that the application reflects their choice. Where the applicant subsequently decides he wants a licence to be held by some company other than the one specified in the application, he should accept the licence and then seek consent to assign it afterwards.

24) The residence requirements may change later if a licensee seeks to begin production³.

ACREAGE

At any licensing opportunity, whether it be a Licensing Round or an Out-of-Round invitation, the OGA will invite applications for a specified list of blocks and part-blocks. We cannot consider applications for acreage other than that offered.

25) The boundary between the Landward and Seaward regimes is the Low Water Mark, except that areas above Bay Closing Lines (sometimes called “watery areas”) fall under the Landward regime.

26) The OGA has divided the UK’s acreage into ‘blocks’. Onshore blocks are 100km² in area and are based on Ordnance Survey blocks; seaward blocks vary in size from c.190km² in the far north to c.250km² in the far south. A map associated with each invitation shows the acreage available.

27) Licensing Rounds cover specified areas. The OGA will decide which areas to offer after considering a number of factors; for example: recommendations of the Strategic Environmental Assessment; other regulatory requirements / pressures; demand from industry; areas where the OGA has published new seismic or other geoscientific data. The invitation makes clear which acreage is available.

28) Applications are made for the entire open area in a block/part block, but awards need not be. An applicant who doesn’t want the whole unlicensed part of a block should

See link: “Guidance about the Technical aspects of any application”

³ See <https://www.ogauthority.co.uk/licensing-consents/licensing-system/licensee-criteria/>

make clear in the application which parts s/he does want, so that the OGA can consider awarding a Licence over just that part of the block. The OGA will in any case review the acreage and may only award part of a block or area to the successful applicant, if that is all the applicant has plans for.

29) There is no upper limit to the amount of acreage that an applicant can apply for, but there are limits to the amount of acreage that the OGA will award in a single licence. There is more guidance at the Technical Guidance document.

30) The OGA will not award acreage that the applicant has no plans to explore and exploit.

31) The OGA may not be prepared to license a very small or very irregular area.

WORK PROGRAMMES

For applications for licences that start with an Initial Term, the applicant must propose a Work Programme, which is the minimum amount of exploration work that the applicant must carry out, if it should be awarded a licence, if the licence is not to expire at the end of its Initial Term.

The agreed Work Programme will form an important part of the Licence itself, and the Licence will expire at the end of the Initial Term if the Work Programme has not been completed by then or if the Initial Term has not been extended by prior agreement. Along with the technical work already carried out, the Work Programme is one of the main factors that the OGA will use to judge between competing applications.

32) The applicant, when applying for a licence with an Initial Term, proposes a Work Programme as part of the application. It is likely to be discussed at interview. A Work Programme consists of one or more elements of exploration work.

33) The basic plan for the Seaward Innovate Licence where there is an Initial Term is for the Work Programme to be divided into three phases. There is more detailed guidance elsewhere¹ but in short:

- a) a Phase A for carrying out geotechnical studies and geophysical data purchase and or reprocessing,
- b) a Phase B for shooting new seismic and acquiring other geophysical data, and
- c) a Phase C for drilling.

34) If the OGA offers a licence, part of the offer will specify the Work Programme that the OGA is willing to accept. The Work Programme will be set out in full in the licence.

APPLICATION FEE

There is an Application Fee to cover the OGA's costs. The OGA can accept payment electronically or by cheque.

35) The application fee is £2,100 for Seaward Production Licences and £1,400 for Landward Production Licences. The figures are defined in secondary legislation².

¹ See link: "Guidance about the Technical aspects of any application" on "[Oil and gas: licensing rounds](#)" for more detail.

² Petroleum Licensing (Applications) Regulations 2015 (2015/766).
<http://www.legislation.gov.uk/ukSI/2015/766/contents/made>

36) LARRY provides a secure method for payments. There is guidance on payment methods elsewhere on the site¹.

HOW DECISIONS ARE REACHED

The OGA has full discretion to make decisions on applications for Production Licences, but will always make them in line with legal requirements, published policies and objectives. Where there is competition for the same acreage between applicants, all of whom meet the OGA's criteria, the decision will be based largely on the marks awarded to the applications.

37) The OGA's general policy objective in deciding whether to award a Licence and to whom is to maximise the economic recovery of UK petroleum (MER UK)², and all decisions will be made in pursuit of that policy. The Petroleum Act 1998 gives the OGA discretion in deciding whether or not to issue a licence; and if so, to whom and on what conditions. However, the OGA must where applicable exercise its discretion in accordance with the principal objective of MER UK and the current MER UK strategy³. The OGA must also have regard to the factors set out at section 8 of the Energy Act 2016, so far as relevant.

38) Only applicants who pass the OGA's financial criteria and standards of operatorship, and the requirements of the Offshore Safety Directive can be considered for award of a Production Licence.

39) Where two or more applicants who have applied for the same acreage all meet the OGA's criteria, the OGA's geoscientists will make a recommendation of award after evaluating the respective geotechnical submissions. (In practice, the OGA will start arranging interviews without waiting to see the results of the financial and operatorship checks, so applicants should not assume that an invitation to interview implies that those criteria have been satisfied.) The assessors will base their decisions on the technical understanding demonstrated by the applicant, the generation of valid prospectivity derived from evaluation of available data, the quality of the work that it has already carried out, and the proposed Work Programme. Applications will be marked against these criteria according to a predefined Marks Scheme, and award will normally be made to the applicant with the highest mark, subject to all other criteria being met (see paragraph 38).

40) In some cases, the OGA may consider that additional factors that are not covered by, or amenable to, the Marks Scheme are relevant to the achievement of its policy. Examples could include:

- a) the applicant's track record on the completion of Work Programmes;
- b) the applicant's track record of performance, such as activity on the management of suspended wells and asset stewardship;
- c) cases where direct comparison between competing applications is difficult, such as those where the geographical coverage and geological focus is different, or

¹ See <https://www.ogauthority.co.uk/licensing-consents/licensing-system/payment-of-licence-rentals/>.

² See section 9A of the Petroleum Act 1998. <http://www.legislation.gov.uk/ukpga/1998/17/contents>

³ See section 9A and 9B of the Petroleum Act 1998 and the Strategy at <https://www.ogauthority.co.uk/news-publications/publications/2016/maximising-economic-recovery-of-uk-petroleum-the-mer-uk-strategy/>

where competing Work Programmes offer a choice between a prospect-specific investigation and a wider area investigation.

- 41)** The OGA may accommodate such factors by:
- a) suggesting that competing applicants agree to become one licensee (a “marriage”);
or
 - b) splitting applications for competing acreage so that each applicant receives the areas that it is focused on.
- 42)** The OGA may suggest a marriage between competing applicants where their interests and expertise are complementary and their applications cannot be separated geographically. However, it remains up to the companies to make the marriage and agree on terms. Part of the process will be to agree on a Work Programme, which must be acceptable to the OGA. If applicants are unable or unwilling to marry, the OGA will choose the winner from among them.
- 43)** In the case of applications for Landward licences, the OGA may discuss applications with the Coal Authority, especially those from applicants who are proposing coal-related projects.
- 44)** The OGA will not consider applications where material information has been withheld.
- 45)** The OGA may decide that no possible award would serve the objective of MER UK and therefore not award a Licence at all.
- 46)** The OGA will not award marks for CCS, methane storage or any other proposed non-licensable plans.
- 47)** Licences will only be offered if, in accordance with the Habitats Directive and Birds Directive (Council Directive 92/43/EEC on the conservation of natural habitats and of wild fauna and flora and Council Directive 2009/147/EC on the conservation of wild birds):
- (a) the activities to be carried out under the licence are not likely to have a significant effect on the management of a Special Area of Conservation (SAC) or Special Protection Area (SPA), or if
 - (b) an Appropriate Assessment has ascertained that the activities will have no adverse effects on the integrity of such SACs or SPAs; or
 - (c) in a case where the activities are assessed as likely to cause such adverse effects, subject to
 - (i) there being imperative reasons of overriding public interest for awarding the licence,
 - (ii) the taking of appropriate compensatory measures, and
 - (iii) there being no alternative solutions.

TRANSPARENCY

Applicants may need to include commercially-sensitive information in their applications, such as financial forecasts and proprietary data. The OGA will handle any such information in accordance with the Freedom of Information Act 2000, Environmental Information Regulations 2004 (2004/3391) and the Data Protection Act 1998 and other relevant law, which take full cognisance of issues of transparency and confidentiality.

48) The OGA treats applications as confidential until decisions have been announced because of the competitive aspect of awards. After that, we publish the winning applicants' names and marks, and, when a licence has been executed, we publish the licence document itself. We will also notify the unsuccessful applicants of their marks for each Block. We are happy to talk to each applicant to discuss its application in more detail.

49) The OGA's general policy is to maximise the availability of useful information about the UKCS and will routinely require the submission of a short report when each licence terminates, summarising the work done, prospectivity identified, and associated reserve estimates for the licensed area. The OGA will publish this report. Under current licence rules (and proposed new regulations under the Energy Act 2016), the OGA may also publish other information at various times and allow access to physical samples.

50) The OGA will publish a list of the names of all applicants for Production Licences and of their beneficial owners among other information whose publication is required by the Extractive Industries Transparency Initiative Standard.

51) For the purposes of the Data Protection Act 2018, the OGA will hold the applicants' contact details, including the names and email addresses of individuals who are nominated as company contact for licensing issues, and use them in communications relating to the application and in relation to administering any licence issued as a result of it. In the case of successful applications, this information will normally be made publicly available by the OGA. For example, the OGA will normally publish the details of each company's direct contact details on our website e.g. the contact person for licensing issues, and may supply such information to companies or individuals wishing to contact that licensee. Anyone who wishes to object to any of these uses of such information should make clear their objections, and the grounds for them, in their application. Please be advised that the success of an application is not dependent on an applicant's agreement to the condition of this information being published. Should an applicant raise valid objections, other arrangements will be made. For further information of the OGA's policy on use and retention of Personal Information see: <https://www.ogauthority.co.uk/site-tools/privacy-statement/>

OUT OF ROUND APPLICATIONS

The vast majority of applications are taken in regular Licensing Rounds. The OGA may also accept a suggestion from a company that there are grounds for a one-off Out-of-Round application for a specific piece of acreage. Once that decision has been made, an Out-of-Round application is handled in the same way as during a Licensing Round. A Seaward Innovate Licence in these cases would be expected to have an initial term of short duration, probably comprising Phase C (drilling) only, or a Straight-to Second Term Licence.

52) This Guidance Note also applies to Out-of-Round applications, which are special cases covering a specific portion of acreage. There are two differences between a Licensing Round and an Out-of-Round Invitation; the Out-of-Round process is initiated at a company's request, instead of being triggered by the OGA's own timetable, and the OGA will only invite Out-of-Round applications for a very small area.

53) A company wishing to pursue the Out-of-Round route must first convince the OGA that an Out-of-Round Invitation is justified; i.e. that there are clear reasons why it should not have to wait for the next opportunity in a Licensing Round. If the OGA is convinced, we will usually invite applications in a similar way to that in a Licensing Round. Therefore, the first step for any company is to write to Offshore.Exploration@ogauthority.co.uk at the OGA, making a case for an Out-of-Round invitation.

GENERAL ISSUES

All the following points apply to all kinds of application unless indicated otherwise.

54) In accordance with the Report submitted by the Progressing Partnerships Working Group to PILOT on 4 January 2002, the OGA will not approve Joint Operating Agreements made under Seaward Production Licences issued in the 20th Round or later if they include pre-emption provisions, except in special circumstances where the applicant has made a convincing case for such provisions before award (and in such cases, it may count against the application where there is a choice between competed bids). Where the OGA does accept a special need for pre-emption provisions, only pre-emption provisions of the form specified in that Report will be approved. This does not apply to landward licences.

55) Following industry representations at PILOT (previously the Oil & Gas Industry Task Force), the OGA will not issue a Seaward Licence covering separate (non-contiguous) areas (a 'Multiblock Licence'). For these purposes, two areas that join corner-to-corner are considered to be separate.

56) A Production Licence does not grant *carte blanche* to carry out all petroleum-related activities from then on. Some activities, such as drilling, are subject to further individual controls by the OGA, and a licensee of course remains subject to controls by other regulators such as BEIS and the Health and Safety Executive. Furthermore, the award of a landward licence (PEDL) in no way waives the requirement for the Licensee to get any necessary permission from landowners, planning authorities, etc. It is the licensee's responsibility to be aware of, and comply with, all regulatory controls and legal requirements. The OGA cannot offer advice on regulation outside its remit, nor on legal

issues, but to offer a starting point there is some guidance of the areas that we are aware of on the [ogauthority.co.uk](https://www.ogauthority.co.uk) website¹.

57) Any production licence issued will carry conditions about the reporting, management and retention of information, data and physical samples, and the OGA takes them very seriously. There are Release procedures and Guidelines relating to well data, new geophysical surveys, etc. Guidance can be found on the web site².

58) Applicants should note:

- a) an initiative to preserve historically-important records which goes by the name of 'Capturing the Energy' and which the OGA fully supports. Details can be found on the 'Capturing the Energy' website at www.capturing-the-energy.org.uk and you can contact 'Capturing the Energy' by email to info@capturing-the-energy.org.uk.
- b) The data management provisions in Chapter 3 of the Energy Act 2016 and the requirement for all Relevant Persons to appoint an Information and Samples Coordinator³.

¹ See link: "Other regulatory issues" on <https://www.ogauthority.co.uk/licensing-consents/licensing-rounds/>

² See <https://www.ogauthority.co.uk/data-centre/>.

³ See <https://www.ogauthority.co.uk/news-publications/consultations/2017/proposed-regulations-for-the-retention-and-disclosure-of-information-and-samples/>.

ANNEXE 1: RENTALS

Seaward Innovate Production Licence's rental schedule

- 1) On the Commencement Date, and on each anniversary of the Start Date, the Licensee shall pay the OGA sums ("Periodic Payments") calculated as the following amounts multiplied by the Area Factor:
 - (a) on each such date during Phase A: £15;
 - (b) on each such date during Phase B: £30;
 - (c) on each such date during Phase C: £150;
 - (d) on each subsequent date after the Initial Term:
 - (i) on the 1st such date: £300;
 - (ii) on the 2nd such date: £900;
 - (iii) on the 3rd such date: £1,800;
 - (iv) on the 4th such date: £2,700;
 - (v) on the 5th such date: £3,900;
 - (vi) on the 6th such date: £5,100;
 - (vii) on the 7th such date: £6,300;
 - (viii) on the 8th such date: £6,900;
 - (ix) on the 9th such date, and every subsequent such date: £7,500.
- 2) The Periodic Payments shall be subject to variation in accordance with the following provisions:
 - (a) The Periodic Payments shall be increased or subsequently reduced in line with movements in the Index of the Price of Crude Oil acquired by Refineries (published in the Digest of UK Energy Statistics) if the OGA so determines. The OGA shall give notice of any such determination ("biennial determination") not less than one month before the date on which such payment falls due, and shall specify in the notice the increase or reduction in the amount payable. Movements in the Index shall be calculated by reference to a comparison between the arithmetic mean of the Index levels for the two latest calendar years for which figures are available at the time when the determination is made, and the arithmetic mean of the Index levels for the two latest calendar years before the Start Date. In the event that the Index of the Price of Crude Oil acquired by Refineries ceases to be published the OGA may substitute arrangements for redetermination of periodic payments having substantially similar effect to those set out above.
 - (b) The increase or reduction specified in a biennial determination shall be payable or take effect on the anniversary of the Start Date next following the date of the relevant determination.
 - (c) No biennial determination shall have effect so as to reduce the Periodic Payments below the levels set out in sub-paragraph (1) above.
 - (d) The Minister shall not make a biennial determination increasing or reducing the amounts payable where that increase or reduction would be 5% or less of the levels set following the previous biennial determination.
- 3) In this Schedule:
 - (a) "Commencement Date" means the date specified in clause 3(1) of the licence;
 - (b) "the Initial Term" means the period specified as such in Schedule 5 on the date that this Licence was granted;
 - (c) "Periodic Payments" means the payments set out at paragraphs (1) and (2) above; and
 - (d) "Phase A", "Phase B" and "Phase C" are as defined at Schedule 3 of the licence; and
 - (e) "the Area Factor" means the number of square kilometres comprised in the Licensed Area at the date upon which the Periodic Payment in question becomes due.

Landward Production Licence's rental schedule

(1) On the date on which the Initial Term begins ("the said date") or upon the grant of this Licence, whichever is the later, and on subsequent anniversaries of the said date during the term of the Licence, the Licensee shall pay the Minister sums (in this Schedule referred to as "periodic payments") calculated as follows:

- (a) on the said date, £25 multiplied by the area factor;
- (b) on the 1st anniversary of the said date, £25 multiplied by the area factor;
- (c) " 2nd " £25 "
- (d) " 3rd " £25 "
- (e) " 4th " £25 "
- (f) " 5th " £25 "
- (g) " 6th " £50 "
- (h) " 7th " £100 "
- (i) " 8th " £150 "
- (j) " 9th " £200 "
- (k) " 10th " £250 "
- (l) " 11th " £300 "
- (m) " 12th " £400 "
- (n) " 13th " £500 "
- (o) " 14th " £600 "
- (p) " 15th " £700 "
- (q) " 16th " £800 "
- (r) " 17th " £900 "
- (s) " 18th " £1,000 "
- (t) " 19th " £1,100 "
- (u) on the 20th and every subsequent anniversary of the said date, £1,200 multiplied by the area factor.

(2) The periodic payments specified falling due after the sixth anniversary shall be subject to variation in accordance with the following provisions:

- (a) subject to sub-paragraph (d) below, the periodic payments shall be increased or reduced at two-yearly

intervals in line with movements in the Index of the Price of Crude Oil acquired by Refineries (published in the Digest of UK Energy Statistics) if the Minister so determines. The Minister shall give notice of any such determination ("biennial determination") not less than one month preceding the date on which such payment falls due, and shall specify in the notice the increase or reduction in the amount payable. Movements in the Index shall be calculated by reference to a comparison between the arithmetic mean of the Index levels for the two latest calendar years for which figures are available at the time when the determination is made, and the arithmetic mean of the Index levels for 2003 and 2004. In the event that the Index of the Price of Crude Oil acquired by Refineries ceases to be published, the Minister may substitute arrangements for redetermination of periodic payments having substantially similar effect to those set out above based on such other comparable Index as he may determine;

(b) The increase or reduction specified in a biennial determination shall be payable or take effect on the anniversary of the date of commencement of this Licence next following the date of the relevant determination.

(c) No biennial determination shall have effect so as to reduce the periodic payments below the levels set out in sub-paragraph (1) above.

(d) The Minister shall not make a biennial determination increasing or reducing the amounts payable where that increase or reduction would be 5% or less of the levels set following the previous biennial determination.

(3) In this Schedule "the area factor" means the number of square kilometres comprised in the Licensed Area at the date upon which the periodic payment in question becomes due.

ANNEXE 2: CONTACTS

The OGA's London address is:

Oil and Gas Authority
4th Floor
21 Bloomsbury Street
London
WC1B 3HF

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