



Invitation to apply for petroleum production licences

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The Royal Ministry of Petroleum and Energy (the Ministry) hereby announces the invitation to apply for petroleum production licences on the Norwegian continental shelf in accordance with the Act of 29 November 1996 No. 72 relating to petroleum activities, and Regulations of 27 June 1997 No. 653 to the Act relating to petroleum activities, hereinafter referred to as the Petroleum Act and the Petroleum Regulations.

Applicants should note that the Ministry is considering certain minor changes and clarifications in the regulations, see consultation memo of 2 May 2017. The award will be assessed pursuant to the applicable rules at the date of the award.

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Production licences will only be awarded to limited companies registered in Norway or in another country that is a party to the Agreement on the European Economic Area (EEA Agreement), or to a physical person residing in an EEA state.

Companies that are not licensees on the Norwegian continental shelf can be awarded a production licence if they are pre-qualified as a licensee on the Norwegian shelf.

Individual applicants and applicants applying as a group will be treated on equal terms by the Ministry. Parties who submit an individual application, or parties in a group that is submitting a joint application together with others, are considered production licence applicants. The Ministry can, on the basis of submitted group applications and individual applications, compose licensee groups that will be awarded a production licence, including removing applicants that are part of a group application and adding individual applicants, as well as appointing the operator for such groups.

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Award of production licences will follow the previously established practice for awards on the Norwegian continental shelf. This entails that the production licence's geographic scope, location, duration, work commitment and block-specific terms will be determined at the time of award.

Companies can apply for ownership interests in production licences for the following blocks or parts of blocks:

6201/6
6202/4
6408/4, 7
6503/8, 11, 12
6504/10, 11
7018/1, 4, 5
7116/6
7117/4, 5
7130/6, 9, 12
7131/1, 2, 3, 4, 7, 8, 10, 11, 12
7218/1, 2, 3
7225/2, 3
7226/1, 4, 5, 6, 7, 8, 9
7227/4, 7, 12
7228/10

7233/3
7234/1
7318/4, 5, 6, 7
7319/4, 5, 6
7320/1, 2, 3, 4, 5, 6
7321/1, 2, 3, 6
7322/1, 2, 4, 5, 8
7323/5, 6
7324/4
7325/2, 3, 6, 8, 9
7326/4, 7, 8, 9
7327/7, 8
7329/2, 3
7330/1, 2
7332/9
7333/7
7334/10, 11
7335/4, 5, 6
7420/12
7421/10, 11, 12
7422/10, 11, 12
7423/10
7426/10, 11

Each production licence can cover one or more blocks or parts of blocks.

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Terms and conditions of award

a) Between the licensees awarded ownership interests in the same production licence, there will be a requirement to enter into an agreement relating to petroleum activities, including a joint operating agreement and an accounting agreement. If the production licence is stratigraphically split over or under another production licence, there will also be a requirement to enter into a stratigraphic joint operating agreement.

Upon entering into the agreement, the parties will form a partnership where the parties' ownership interests in the agreements shall always be identical with the parties' ownership interests in the production licence.

The wording in the licence documents will generally be based on the relevant documents from the 23rd licensing round. The aim is to highlight potential adaptations in the framework vis-à-vis the industry before the application deadline expires.

b) A more detailed clarification of environmental, HSE and fishery terms and conditions follows from the appendix regarding environmental, HSE and fishery terms and conditions. There are special environmental and fishery terms associated with some of the blocks.

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Negotiation areas

The Ministry reserves the right to negotiate with the applicant(s) regarding the following:

a) Production licence area

b) Content, scope and schedule for the work commitment.

c) Duration of the production licence's initial period and duration of the licence period after the initial period expires.

Stipulation of the initial period, cf. Section 3-9 of the Petroleum Act, will for production licences awarded in the 24th licensing round be adapted to block-specific conditions.

The work commitments in the production licences will generally cover requirements for a progress plan for the activities within the framework of the initial period. The work commitments could consist of a series of decision points with associated activities that must be completed within set deadlines. The alternative to completing the entire work commitment is that the production licence is relinquished or lapses.

The Ministry must, with a copy to the Norwegian Petroleum Directorate, be informed about the decision made in each decision point. Upon relinquishment, the licensee must send the Norwegian Petroleum Directorate a status report within three months. The status report must contain a summary of collected data, potential studies, as well as the results of these and an overview of the prospectivity in the relinquished area.

The work commitments may be designed so that the licensees will first have a given period to carry out a seismic commitment before they decide whether they want to carry out a mandatory drilling commitment or relinquish the area of the production licence in its entirety.

Upon expiry of the initial period, the area that does not delimit one or more petroleum deposits proven through drilling, is generally relinquished.

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Award criteria

To promote good resource management through efficient exploration for and recovery of petroleum on the Norwegian continental shelf, the following criteria will be used as a basis when awarding ownership interests in production licences, composition of licensee groups and when appointing the operator:

a) Applicant's/Applicants' understanding of the geology in the relevant geographical area and how the licensee plans to conduct an efficient exploration operation for petroleum there.

b) Applicant's/Applicants' relevant technical expertise, as well as how this can actively contribute to a cost-efficient exploration for, and potential utilisation of, petroleum from the affected geographical area.

c) Applicant's/Applicants' experience on the Norwegian continental shelf or corresponding relevant experience from other areas.

d) That the applicant(s) has satisfactory financial capacity to carry out exploration for, and potential utilisation of, petroleum from the relevant geographical area.

e) If the applicant is or has been a licensee in a production licence, the Ministry can take into consideration any form of deficient efficiency or a lack of responsibility exhibited by the applicant as a licensee.

f) Production licences will generally be awarded to a partnership where at least one licensee has drilled at least one well on the Norwegian continental shelf as an operator or has corresponding relevant operational experience outside the Norwegian continental shelf.

g) Production licences will generally be awarded to two or more licensees, of which at least one has experience as mentioned under f).

h) The company appointed operator for production licences in the Barents Sea, must have drilled at least one well on the Norwegian continental shelf as an operator itself, or have corresponding relevant operational experience outside the Norwegian continental shelf.

i) For production licences at significant water depths, both the party appointed operator and at least one other licensee must have drilled at least one well itself on the Norwegian continental shelf as an operator, or have corresponding operational experience outside the Norwegian continental shelf. The production licence must include a licensee that has drilled at significant water depths as an operator.

j) For production licences expected to entail drilling of wells with high pressure and/or temperature (HPHT), both the party appointed operator and at least one other licensee must have drilled at least one well themselves on the Norwegian continental shelf as an operator or have corresponding relevant operational experience outside the Norwegian continental shelf. The production licence must include a licensee that has drilled an HPHT well itself as an operator.

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State participation

When awarding production licences, state participation can be stipulated in each production licence. Petoro AS is the licensee for the state's participating ownership interest (State Direct Financial Interest – SDFI).

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Application letter

Each company that applies for awards in the 24th licensing round, individually or as a participant in a group application(s), must submit a formal application letter together with the application(s) within the deadline. If the company does not submit any of the applications it is participating in itself, the letter must be sent to the Ministry of Petroleum and Energy with a copy to the Norwegian Petroleum Directorate. The application letter must be in line with the guideline on the Norwegian Petroleum Directorate's website: <http://www.npd.no/24-runde>.

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Information about the company

Each company that applies for awards in the 24th licensing round, individually or as a participant in a group application(s), must submit information about the company to the authorities within the deadline. Reporting of financial and company information must be in line with the guideline on the Norwegian Petroleum Directorate's website: <http://www.npd.no/24-runde>.

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Application

Each application for award must contain the following information in the following order:

- a) Application summary
- b) Data basis and regional geology
- c) Geological evaluation of blocks
- d) Exploration strategy and work program
- e) Technical reservoir conditions
- f) Development technology and expertise
- g) Profitability calculations
- h) Other matters

The above-mentioned matters must be adapted to the block-specific characteristics with the aim of contributing to the greatest possible value creation in the affected geographic area.

There are less stringent content requirements for applications for additional acreage for existing production licences.

A guide for preparing production licence applications, forms to complete and block coordinates for the announced blocks can be found on the Norwegian Petroleum Directorate's website:

Norwegian version: <http://www.npd.no/24runde/Soknadsveiledning>

English version: <http://www.npd.no/24round/Guide to application>

The authorities can demand additional information.

Information of a commercial nature provided in the application, including appendices, will be exempt from public disclosure by the authorities without consideration for the deadline set in Section 85 of the Petroleum Regulations.

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Fee

A fee must be paid for the processing of each production licence application, before the application is submitted. If the fee is not paid, the application is not considered to have been received.

The fee is NOK 123,000 for *each* production licence application, cf. Section 9 of the Petroleum Regulations. If several companies join together to apply for a production licence, this is considered one application. One of the group members will in this case provide the joint payment of the application fee.

The payment must be to the state, through the Norwegian Petroleum Directorate, account no.: 7694.05.00326. The payment must be marked “24th round (block no.)”. A copy of the receipt for paid fee must be enclosed with the application letter from the company.

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The King in Council is not required to award production licences on the basis of received applications, cf. Section 3-5(3) of the Petroleum Act.

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Production licence applications are submitted to the Ministry in electronic format.

Applications shall be sent to:

The Royal Ministry of Petroleum and Energy
Attn.: Cecilie Myklatun
P.O. Box 8148 Dep,
0033 Oslo

Alternatively, the application can be delivered directly to the Ministry of Petroleum and Energy within the application deadline according to agreement with the Section for Exploration in the Ministry of Petroleum and Energy.

The applications must be submitted by **30 November 2017 at 12:00**. All applications that have been received by the mentioned time are considered to have been delivered at the same time.

The application must be delivered to the Norwegian Petroleum Directorate in electronic format on a memory stick within the deadline. The application letter must be enclosed in paper format, but must also be included in electronic format on the memory stick along with company information.

Norwegian Petroleum Directorate
Professor Olav Hanssensvei 10
4021 Stavanger

The application must be in Norwegian or English.

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Award of production licences in the 24th licensing round on the Norwegian continental shelf is scheduled to take place in the 1st half of 2018.