

Invitation to apply for petroleum production licence

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The Royal Ministry of Petroleum and Energy (the Ministry) hereby announces an invitation to apply for petroleum production licences on the Norwegian Continental Shelf, in accordance with the Act of 29 November 1996 No.72 pertaining to Petroleum Activities (the Petroleum Act) and the Petroleum Regulations laid down by Royal Decree of 27 June 1997 (the Petroleum Regulations).

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

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Production licences will only be awarded to joint stock companies registered in Norway or in another state party to the Agreement on the European Economic Area (the EEA-Agreement), or to natural persons domiciled in a state party to the EEA-Agreement.

Companies which are not licensees on the Norwegian Continental Shelf may be awarded licences if they are prequalified as licensees on the Norwegian Shelf.

Individual applicants and companies applying as part of a group will be treated on equal terms by the Ministry. Applicants submitting an individual application or applicants being part of a group submitting a joint application, will be considered as an applicant for a production licence. The Ministry may, on the basis of applications submitted by groups or individual applicants, assemble licensee groups of applicants to be awarded a license, including removal of applicants that are part of a group application and add to individual applicants, as well as appoint the operator for such groups.

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The award of production licences will be carried out in accordance with the previously established practice for awards on the Norwegian Continental Shelf. This implies that the acreage, location, licence period, work obligation, and other block specific conditions will be stipulated at the time of the award.

Applications for participating interests in production licences may be submitted for the blocks that are not licenced within the predefined area, which are marked out on the maps. It is also possible to apply for acreage that is relinquished within the predefined area after the announcement has happened according to updated maps (Norwegian Petroleum Directorate's interactive Factmaps that show the available area are found on the NPD's web-page).

Each production licence may comprise one or more blocks or part of block(s). The applicants are requested to refine the application outline to areas where they have mapped prospectivity.

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Conditions for the award

a) As a condition for the award of a participating interest in a production licence, the licensees will be required to enter into an Agreement for Petroleum Activities, including a Joint Operating Agreement and an Accounting Agreement. If the

production licence is stratigrafically divided, above or below another licence, the licensees will also be required to enter into a Joint Operating Agreement between the stratigrafically divided production licences.

Upon signing the agreements the licensees will form a joint venture in which the size of their participating interest at all times shall be identical to their participating interest in the production licence.

The wording in the licence documents will generally be equivalent to that in documents from Awards in Predefined Areas 2016. The aim is for the main features in any adaptations in the framework to be announced to the industry before the expiration of the application deadline.

b) The conditions relating to environmental concerns, HSE and fishery interests are stated in detail in the attachment for environmental concerns, HSE and fishery interests. Specific conditions are attached to certain blocks.

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Negotiation issues

The Ministry reserves its right to negotiate terms with the applicant(s) on the following issues:

- a) The area of the production licence.
- b) The content, extent and time schedule for the work obligation(s).
- c) The duration of the initial period of the production licence, and the duration of the licence period after expiry of the initial period.

Decision on the length of the initial period, cf. the Petroleum Act Section 3-9, will in the Awards in Predefined Areas 2017 be made on the basis of block specific conditions.

The work obligations in the production licences will as a main rule include requirements for a work schedule for licence activities towards the submission of a plan for development within the initial period. The work obligations will consist of a series of decision points and corresponding licence activities that must be fulfilled within given time frames. In case of non-compliance with the work schedule, the production licence should be relinquished or it will lapse.

The Ministry, with a copy to the NPD, shall be informed about the decision taken in each decision point. If relinquished, the licensees shall within three months send the NPD a status report. This status report shall contain a summary of collected data, any studies including the results from these, plus an account of the prospectivity in the relinquished area.

The work obligations may be formulated in such a way that the licence group is initially given a period to carry out for instance a seismic obligation before it decides

on whether to carry out the drilling obligations required or relinquish the entire area of the production licence.

Further, the work obligation will as a main rule include a requirement to, within the initial period, submit to the Ministry for approval, a plan for development of the deposit concerned.

Upon expiry of the initial period, the area covered by the production licence that is not included in the submitted plan for development, shall, as a main rule, be relinquished.

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Award criteria

To promote good resource management and rapid and efficient exploration for and production of petroleum on the Norwegian Continental Shelf, including the composition of licence groups to ensure this, the following criteria shall apply to the award of participating interests in production licences and to the appointment of operator:

- a) The applicant's geological understanding of the geographical area in question, and how the licensees propose to perform efficient exploration for petroleum.
- b) The relevant technical expertise of the applicant, and how this expertise may actively contribute to cost effective exploration and, as appropriate, the production of petroleum from the geographical area in question.
- c) The applicant's experience on the Norwegian Continental Shelf or equivalent relevant experience from other areas.
- d) That the applicant has the satisfactory financial capacity to carry out exploration for and, as appropriate, production of petroleum in the geographical area in question.
- e) If the applicant is or has been a licensee in a license, the Ministry may take into account any form of inefficiency or lack of accountability demonstrated by the applicant as a licensee.
- f) Production licences will mainly be awarded to a joint venture where at least one participating interest have drilled at least one well on the Norwegian Continental Shelf as operator or have equivalent relevant operational experience outside the NCS.
- g) Production licences will mainly be awarded to two or more participating interests, where at least one has experience as mentioned under f)
- h) The appointed operator for production licences in the Barents Sea shall have drilled at least one well on the Norwegian Continental Shelf as operator or have equivalent relevant operational experience outside the NCS.
- i) For production licences in deep waters, both the appointed operator and at least one other participating interest shall have drilled at least one well on the Norwegian Continental Shelf as operator or have equivalent relevant operational experience

outside the NCS. In the production licence one participating interest shall have drilled in deep waters as operator.

j) For production licences where drilling of exploration wells in high pressure and/or high temperature (HTHP) is expected, the appointed operator and at least one other participating interest shall have drilled at least one well on the Norwegian Continental Shelf as operator or have equivalent relevant operational experience outside the NCS. In the production licence one participating interest shall have drilled a HTHP-well as operator.

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State participation

At the time of the award, state participation may be stipulated in each production licence. Petoro AS is the licensee on behalf of the State's participating interest (the State's Direct Financial Interest - SDFI)

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Application letter

All companies applying for production licences in APA 2017, individually or as part of a group, shall within the application deadline submit a formal application letter together with the application(s). If the company only participates in applications delivered by other companies, the letter shall be sent to the Ministry of Petroleum and Energy (MPE) and a copy to the Norwegian Petroleum Directorate (NPD). The application letter shall be in accordance with guidelines on NPDs website: <http://www.npd.no/apa2017>

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Information about the company

All companies applying for production licences in APA 2017, individually or as part of a group, shall within the application deadline provide information on company related matters to the authorities.

Information on financial and company related matters and shall be in accordance with guidelines on NPDs website: <http://www.npd.no/apa2017>

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Application

Each application for awards in APA 2017 shall include the following information, and in the following order:

- a) Summary of the application.
- b) Geological evaluation of the block(s) applied for.
- c) Description of the anticipated reservoir and development solutions for the block(s) applied for.

d) Description of:

- the extent, content and time schedule for the work obligation the applicant(s) proposes to undertake for the acreage covered by a production licence;
- the duration of the initial period of the production licence;
- the duration of the licence period after the expiry of the initial period.

The above mentioned terms shall be adjusted to the specific characteristics of the block(s), with the aim of obtaining the highest value added from the relevant geographical area.

Applications for additional acreage to existing production licenses have reduced requirements regarding content.

Guidelines for the preparation of an application for a production licence, forms and block coordinates for the blocks announced are available at the NPD's Internet web-page at the following address: <http://www.npd.no/tfo2017> (Norwegian version), or <http://www.npd.no/apa2017> (English version).

The authorities may require additional information.

Business information contained in the application and the enclosures will be kept confidential by the authorities, regardless of the time limit stipulated in the Petroleum Regulations, Section 85.

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Fee

For handling of each application for a production licence, a fee is due upon submission of the application. If the fee is not paid, the application is considered not handed in.

The fee is NOK 123.000 for *each* application for a production licence, cf. the Petroleum Regulations, Section 9. In the cases where several companies apply as a group, this counts as one application. One of the group members shall in this case see to a joint payment of the fee for the application.

The fee shall be paid to the State, c/o the Norwegian Petroleum Directorate, current account No. 7694.05.00326. The payment should be marked "APA2017 (block no)". A copy of the receipt for said payment shall be attached to the application letter from the company.

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The King in Council is not obliged to award any production licence on the basis of applications received, cf. the Petroleum Act, Section 3-5, third paragraph.

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Applications for production licences must be submitted to the Ministry in electronic format.

Applications must be sent to:

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

Upon the applicant's request, the application can alternatively be submitted directly to the Ministry of Petroleum and Energy within the application deadline. This should be agreed in advance with the Section for Exploration in the Ministry of Petroleum and Energy.

The applications must be delivered by **12.00 a.m. on 01. September 2017**. All applications submitted before this date and time shall be considered as received simultaneously.

Applications must be submitted to the Norwegian Petroleum Directorate in electronic format on a memory stick within the deadline.

The application letter should be enclosed in paper format, as well as included electronically on a memory stick together with the company information.

The Norwegian Petroleum Directorate
P.O. Box 600
4003 STAVANGER
NORWAY

The application may be written in Norwegian or in English.

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The award of production licences in the Awards in Predefined Areas 2017 on the Norwegian Continental Shelf is planned to take place within 1st quarter of 2018.