



**Department of the Marine
and Natural Resources**

Roinn na Mara agus Acmhainní Náúúrtha



LICENSING TERMS

for

OFFSHORE

OIL and GAS

EXPLORATION and

DEVELOPMENT

1992

LICENSING TERMS

for

OFFSHORE OIL and GAS

EXPLORATION and DEVELOPMENT

1992

**DEPARTMENT OF COMMUNICATIONS, MARINE AND NATURAL
RESOURCES**

Oil and Gas Exploration and Development Offshore Ireland: The New Environment

The policy base

Commercial production of oil and gas can make a major contribution to Ireland's economic development. This has been demonstrated by the impact of natural gas from the Kinsale Head and Ballycotton Fields. The Government of Ireland are therefore committed to realising the full potential of oil and gas resources offshore Ireland. Since the Government do not consider that direct State involvement in this area of activity is appropriate, the pursuit of their policy objectives requires that competent private sector companies be encouraged to invest in the search for and production of oil and gas in Irish waters. The private sector is recognised as having the resources, expertise and practical experience essential for such a task. The Government have taken a number of major initiatives in order to enhance the comparative attractions of Ireland as a location for investment. Principal among such initiatives is the introduction of a complete statutory regime of petroleum taxation and the introduction of new Licensing Terms.

The incentive

A primary incentive to investment in exploration and production offshore Ireland is the Government's fiscal treatment of such activity. Ireland now has a modern, complete, statutory regime of petroleum taxation. Royalties and production-related levies no longer apply. The detailed provisions of the taxation legislation recognise the operational characteristics of the sector while the regime as a whole achieves a risk/reward balance which reflects Ireland's circumstances and acknowledges the realities of competition for internationally mobile exploration/production investment. Most importantly, the treatment in Ireland of profits generated by oil and gas production compares very favourably with other countries. Furthermore, the structure of the tax regime is such that greatest potential benefit can accrue to those who make early commitments to exploration licences and the drilling of wells. Greater freedom to market indigenous oil and gas on the basis of market prices and, in the case of gas, interconnection with the UK should serve to further enhance the attractions of Ireland as an investment location.

The licensing terms

The Licensing Terms provide the operational framework for oil and gas exploration and production offshore Ireland. They are the terms on which the Minister for Communications, Marine and Natural Resources is prepared to issue various authorisations for exploration and production activities. Their purpose is to ensure that such activities are conducted by competent companies in a purposeful, effective, efficient, safe and environmentally acceptable manner which conforms with good industry practice and has the ultimate objective of achieving optimum recovery of the resource.

The new Licensing Terms will apply generally to all future authorisations for oil and gas exploration and development issued by the Minister for Communications, Marine and Natural Resources. While existing authorisations will continue to be subject to the terms on which they were issued, the holders of such authorisations, with the

agreement of the Minister, may in appropriate circumstances opt to have the new Terms apply to those authorisations.

The new Licensing Terms encompass all the authorisations which the Minister for Communications, Marine and Natural Resources may issue in respect of exploration and production activities. They are designed to provide for the full spectrum of such activities, from seismic acquisition through block and prospect evaluation to exploratory drilling, appraisal and production operations. This is reflected in an expanded range of available authorisations, which will now provide a greater scope of opportunity and address a broader range of operational and commercial concerns.

The characteristics of various authorisations such as work programmes, duration and fee-structure, have been tailored to facilitate purposeful activity. The Minister is particularly concerned to ensure that committed and purposeful operations are undertaken under each authorisation. Consequently many of the features of available authorisations will be seen to be work-driven. Overall, the Minister considers that the new Licensing Terms fairly and realistically meet the requirements of the industry while adequately protecting the interests of the State.

An integrated approach

There is a direct link between the Licensing Terms and Ireland's statutory petroleum taxation regime. Companies committing to activities offshore Ireland can therefore be assured that they will be operating within an integrated environment, with appropriate linkages between fiscal and non-fiscal elements.

A new environment

Extensive areas offshore Ireland remain unexplored or under-investigated, while there is much acreage which warrants further investigation on the basis of advances in investigative techniques or new plays.

As a result of the putting in place of the measures described in outline above, the risk/reward balance has been adjusted so that it not only reflects modern realities but offers the prospect of an attractive level of reward to exploration companies. The industry will find in Ireland an attitude which is receptive to and encouraging of its efforts.

Granting of authorisations

It is intended to maintain Ireland's "open door" approach to licensing. This general approach will be supplemented from time to time by Licensing Rounds, affecting specified acreage.

Applicable legislation

The Petroleum Affairs Division of the Department of Communications, Marine and Natural Resources administers Ireland's regime of licensing for oil and gas exploration and production. In addition to the legislation under which this regime was established, other legislation and regulations apply. A listing of the main relevant acts and statutory instruments is set out in the Appendix but in all instances the holders of authorisations should ascertain their precise responsibilities by means

of direct contact with the competent authorities. The [Petroleum Affairs Division](#) can provide appropriate assistance and advice in this regard.

**An Roinn Cumarsáide,
Mara agus
Acmhainní Nádurth,
Rannóg Gnóthaí Peitriiliam,
Tor an Bhacaigh,
Bóthar Haddington,
Baile Átha Cliath 4,
Éire**

www.pad.ie

Samhain 1992

**Department of Communications,
Marine, and Natural Resources,
Petroleum Affairs Division,
Beggars Bush,
Haddington Road,
Dublin 4,
Ireland**

www.pad.ie

November 1992

Addendum

Please note that all fees quoted in this document are in Irish punts and are out of date. Current application and rental fees chart are presented below.

1992 Licensing Terms – Fees from September 2003.

Current rental fees and application fees in €

Rental Fees		
Authorisation type	€Rate, per annum	
Petroleum Prospecting Licence	6,961	
Licensing Option	27	(per sq km)
Standard Exploration Licence, Years 1-4	167	(per sq km)
Standard Exploration Licence, Years 5 & 6*	335	(per sq km)
Deepwater Exploration Licence, Years 1-3	83	(per sq km)
Deepwater Exploration Licence, Years 4-7*	167	(per sq km)
Deepwater Exploration Licence, Years 8-12*	335	(per sq km)
Frontier Exploration Licence	27	(per sq km)
Frontier Exploration Licence, phases 2-4	55	(per sq km)
Frontier Exploration Licence, after surrender of acreage	111	(per sq km)
Lease Undertaking, Year 1	**1,113	(per sq km)
Petroleum Lease, pre-production	2,420	(per sq km)
Petroleum Lease, production	3,785	(per sq km)
*if acreage held under the previous phase of the licence has been surrendered		
**increasing by €139 per annum		
Application Fees		
Fee type		
Petroleum Prospecting Licence	1,392	
Licensing Option	1,392	
Exploration Licence	8,354	
Reserved Area Licence	8,354	
Lease Undertaking	2,784	
Petroleum Lease	8,354	
Assignment of interest		
Application fee	1,392	
Administrative fee	2,784	

PART I APPLICATION PROCEDURES.....	9
1. AUTHORISATIONS	10
2. AREAS TO WHICH THESE TERMS APPLY	10
3. CRITERIA FOR CONSIDERATION OF APPLICATIONS	11
4. INFORMATION ON APPLICANT TO BE SUPPLIED WITH APPLICATION	11
5. INFORMATION ON WORK PROGRAMME TO ACCOMPANY APPLICATION.....	12
PART II PROVISIONS RELATING TO SPECIFIC AUTHORISATIONS ...	13
PETROLEUM PROSPECTING LICENCE.....	14
6. DURATION OF PETROLEUM PROSPECTING LICENCE	14
7. RIGHTS OF LICENSEE	14
8. FEES.....	14
9. RIGHT TO SURRENDER OR DETERMINE PETROLEUM PROSPECTING LICENCE ...	14
LICENSING OPTION	15
10. TERMS AND CONDITIONS OF LICENSING OPTION	15
11. RIGHTS OF OPTION HOLDER	15
12. AREA OF LICENSING OPTION	15
13. DURATION OF LICENSING OPTION.....	15
14. FEES.....	16
EXPLORATION LICENCE.....	17
15. RIGHTS OF LICENSEE	17
16. CATEGORIES OF EXPLORATION LICENCE	17
17. STANDARD EXPLORATION LICENCE.....	17
18. DEEPWATER EXPLORATION LICENCE.....	18
19. FRONTIER EXPLORATION LICENCE	19
20. VARIATION OF SURRENDER PROVISIONS AND CONTINUATION OF EXPLORATION.....	20
21. VOLUNTARY TERMINATION OF EXPLORATION LICENCE AND SURRENDER OF ACREAGE.....	21
LEASE UNDERTAKING	22
22. GRANT OF LEASE UNDERTAKING.....	22
23. EFFECTIVE DATE OF PETROLEUM LEASE	22
24. TERMS AND CONDITIONS OF LEASE UNDERTAKING	22
25. VOLUNTARY TERMINATION OF LEASE UNDERTAKING	24
PETROLEUM LEASE.....	25
26. COMMERCIAL DISCOVERY.....	25
27. GRANT OF PETROLEUM LEASE.....	25
28. PLAN OF DEVELOPMENT	25
29. PERIOD OF PETROLEUM LEASE	26
30. JOINT DEVELOPMENT	26
31. JOINT DEVELOPMENT WITH FIELD EXTENDING OUTSIDE DESIGNATED AREA	27
32. LEASEHOLD RENTALS	27
33. RIGHT TO DETERMINE PETROLEUM LEASE.....	28
RESERVED AREA LICENCE	29
34. PROVISIONS RELATING TO RESERVED AREA LICENCE	29
PART III GENERAL PROVISIONS RELATING TO ALL AUTHORISATIONS	30
35. TAXATION.....	31

36.	APPLICATION OF OTHER REQUIREMENTS	31
37.	MINISTER'S RIGHT TO GRANT AUTHORISATIONS AND TO IMPOSE CONDITIONS...	31
38.	EXCLUSIVE JURISDICTION OF IRISH COURTS	31
39.	CHANGES TO AUTHORISATION HOLDER.....	32
40.	ASSIGNMENTS OR TRANSFERS OF INTEREST	32
41.	PERFORMANCE BOND	32
42.	JOINT OBLIGATIONS	33
43.	INSURANCE, INDEMNITY, PAYMENT OF CLAIMS	33
44.	INCREASE OF MONEY TERMS	34
45.	RECORDS	34
46.	CONFIDENTIALITY	34
47.	PUBLIC STATEMENTS	35
48.	TRAINING OF MINISTER'S NOMINEES.....	36
49.	APPOINTMENT OF AUTHORISED OFFICER.....	36
50.	RIGHTS OF AUTHORISED OFFICER.....	36
51.	ARBITRATION	37
52.	REVOCATION	38
PART IV	OTHER PROVISIONS.....	40
53.	GOOD INDUSTRY PRACTICE	41
54.	WORK PROGRAMMES	41
55.	NOTICES.....	41
56.	JOINT OPERATING AGREEMENTS.....	41
57.	APPROVAL OF DRILLING, PLUGGING AND ABANDONMENT.....	41
58.	PROCEDURES FOR RECRUITMENT OF PERSONNEL	42
59.	SAFETY, HEALTH AND WELFARE OF EMPLOYEES.....	42
60.	PROTECTION OF ENVIRONMENT, PROPERTY AND STRATA.....	42
61.	FLARING, VENTING AND REINJECTION.....	43
62.	REPORTING OF SHIPWRECKS.....	43
63.	PIPELINES AND OTHER FACILITIES	43
64.	USE OF FACILITIES BY OTHERS	43
65.	NON-INTERFERENCE WITH FISHING AND NAVIGATION.....	44
66.	EXPLORATION FOR AND EXPLOITATION OF NON-PETROLEUM RESOURCES... 44	
67.	MINISTER'S POWER TO EXECUTE WORK.....	44
68.	SUSPENSION OR INTERRUPTION OF ACTIVITIES	44
69.	SALE OF PRODUCTION	45
70.	MEASUREMENT OF PETROLEUM	45
71.	ABANDONMENT	45
	MAIN ACTS AND STATUTORY INSTRUMENTS RELEVANT TO OFFSHORE OIL AND GAS EXPLORATION AND DEVELOPMENT.....	47

Part I Application Procedures

1. Authorisations

- (1) In accordance with the statutory powers and functions of the Minister for Communications, Marine and Natural Resources, the Minister may issue the authorisations listed in paragraph (2) below. The principal relevant statute is the Petroleum and Other Minerals Development Act, 1960. All authorisations issued by the Minister shall be subject to the conditions contained hereinafter.
- (2) The authorisations are:-
 - (a) Petroleum Prospecting Licence issued under Section 9(1) of the Act;
 - (b) Undertaking to grant an Exploration Licence ("Licensing Option") issued under Section 7(1) of the Act;
 - (c) Exploration Licence issued under Section 8(1) of the Act;
 - (d) Undertaking to grant a Petroleum Lease ("Lease Undertaking") issued under Section 10(1) of the Act;
 - (e) Petroleum Lease issued under Section 13(1) of the Act; and
 - (f) Reserved Area Licence issued under Section 19(1) of the Act.
- (3) Applications for any authorisation shall be accepted from corporate entities incorporated under Irish law or from foreign companies.
- (4) Where a holder of any authorisation other than a Petroleum Prospecting Licence or a Licensing Option is a foreign company it must have permanent representation in Ireland which is fully authorised to act for such company and to enter into binding commitments in its name.
- (5) The receipt of an application will not create any obligation on the part of the Minister to grant any authorisation.
- (6) Non-returnable fees as listed below shall be payable to the Minister at the time of submission of an application:

Petroleum Prospecting Licence	£1,097
Licensing Option.....	£1,097
Exploration Licence	£6,580
Reserved Area Licence	£6,580
Lease Undertaking	£2,193
Petroleum Lease	£6,580

2. Areas to which these terms apply

- (1) These terms apply to the Irish offshore comprising the territorial waters of the State and offshore areas designated by Order from time to time under the Continental Shelf Act, 1968.

- (2) The Irish offshore is divided into numbered quadrants of the Williams Grid, measuring 1° of latitude by 1° of longitude, each quadrant being divided into 30 numbered blocks.
- (3) A map of this area is available on request from The Secretary General, Department of Communications, Marine and Natural Resources, Petroleum Affairs Division, Dublin or may be inspected in the office of the Geological Survey, Dublin.

3. Criteria for consideration of applications

In considering an application the Minister will take the following into account having regard to the authorisation applied for:

- (a) the work programme proposed by the applicant;
- (b) the technical competence and offshore experience of the applicant;
- (c) the financial resources available to the applicant; and
- (d) where relevant, previous performance by the applicant under any authorisations to which the applicant has been a party.

4. Information on applicant to be supplied with application

- (1) An application shall provide (in the case of an application made by a group of companies, in respect of each participant) where appropriate:
 - (a) the name, address and nationality of the applicant including information as to the identity of the person who will serve as liaison with the Irish authorities;
 - (b) a copy of the charter or constitution of the applicant;
 - (c) information concerning the applicant's place of registration, its principal place of business, its board of directors, the domicile and nationality of board members, its share capital and shareholdings;
 - (d) information as to the form of the organisation, including, where relevant, information concerning the relationship with its parent company and other integrated corporate structures that may be involved, its technical resources, its petroleum production, refining and marketing capacities and its own petroleum requirements;
 - (e) where required, further details as to the financial structure of the applicant and its parent company including the annual reports for the last three years together with copies of the balance sheets and the profit and loss accounts for the same period, as well as information as to the manner in which exploration and development activities are to be financed and performance guaranteed;

- (f) in the case of an application for an Exploration Licence, Reserved Area Licence or Petroleum Lease, confirmation that the applicant is chargeable, in accordance with the laws of Ireland, to tax in respect of profits, income and capital gains arising from, or connected with, operations conducted in the offshore area to which the authorisation applies;
 - (g) information concerning the applicant's previous experience in exploration for and exploitation of petroleum;
 - (h) information concerning any authorisation previously issued by the Minister to the applicant or to which the applicant was a party;
 - (i) a statement detailing the applicant's policy towards the safety, health and welfare of the workforce; and
 - (j) a statement detailing the applicant's policy towards the environment.
- (2) Additional information may be sought by the Minister following the receipt of applications.

5. Information on work programme to accompany application

- (1) Each application shall be accompanied, where appropriate, by:
- (a) a statement describing the area(s) to which the application applies;
 - (b) information as to the geological, geophysical and other data upon which the application is based, accompanied by a comprehensive technical assessment of this data;
 - (c) a full and detailed description of the work programme which the applicant proposes to carry out; in the case of an application for an Exploration Licence or Reserved Area Licence, the information to be provided will be consistent with the phased nature of the Licence and shall in any event include a detailed description of the programme proposed for the first phase of the Licence; and
 - (d) a statement as to the applicant's organisational and operational structures for effecting the proposed work programme.
- (2) Additional information may be sought by the Minister following receipt of the above information.

Part II Provisions relating to
specific authorisations

PETROLEUM PROSPECTING LICENCE

6. Duration of Petroleum Prospecting Licence

- (1) A Petroleum Prospecting Licence shall be valid for periods of one, two or three years from the date of issue.
- (2) One extension of up to a maximum period of two years may be granted. In the case of a Petroleum Prospecting Licence granted to the holder of a Lease Undertaking, a longer period may be granted.
- (3) An application for an extension must be made in writing to the Minister not later than three months before the expiry of a Petroleum Prospecting Licence.

7. Rights of licensee

A Petroleum Prospecting Licence will be expressed and operate to confer on the licensee the right to search for petroleum in any part of the Irish offshore which is not subject of an Exploration Licence, Reserved Area Licence or Petroleum Lease granted to another party.

8. Fees

An annual fee of £5,483 shall be payable on issue of a Petroleum Prospecting Licence and thereafter on the anniversary date of the issue of the Licence. All fees are non-returnable.

9. Right to surrender or determine Petroleum Prospecting Licence

The licensee shall have the right at any time to surrender or determine the Petroleum Prospecting Licence by giving the Minister one month's notice in writing.

LICENSING OPTION

10. Terms and conditions of Licensing Option

Each Licensing Option shall be subject to terms and conditions which shall include:-

- (a) payment of an annual fee in accordance with the provisions of Section 14;
- (b) the performance of a work programme which shall be appropriate to the area concerned and which shall be agreed in advance between the Minister and the applicant;
- (c) confidentiality provisions in respect of data in accordance with provisions of Section 46; and
- (d) the holder of the Licensing Option being the holder of a Petroleum Prospecting Licence during the full period of the Licensing Option.

11. Rights of Option holder

Each Licensing Option will confer upon the Option holder the first right, exercisable at any time during the period of the Option, to an Exploration Licence over all or part of the area covered by the Option. An Exploration Licence granted following a Licensing Option shall be subject to the same terms and conditions which apply to Exploration Licences generally.

12. Area of Licensing Option

Each Licensing Option shall be in respect of a specified area to be determined by the Minister, with particular reference to the work programme proposed by the applicant and which is not then subject to a Licensing Option, Exploration Licence, Reserved Area Licence, Lease Undertaking or Petroleum Lease. The area of a Licensing Option shall be expressed in terms of blocks and/or part blocks of the Williams Grid.

13. Duration of Licensing Option

- (1) The duration of a Licensing Option shall be determined by the work programme agreed. Normally it shall be for a period of 12 months but a longer or shorter period may be agreed for particular work programmes.
- (2) The Minister may extend the Licensing Option period by no longer than 12 months beyond the original expiry date on the basis of a further agreed work programme.

- (3) An application for an extension must be made in writing to the Minister not later than two months before the expiry of the Licensing Option.

14. Fees

- (1) A fee calculated on the basis of £16,449 per annum per complete block of the Williams Grid shall be payable on issue of the Licensing Option and thereafter on the anniversary date of the issue of the Licensing Option.
- (2) A fee calculated on the basis of £27,415 per annum per complete block of the Williams Grid shall be payable in respect of an extension beyond the original term.

EXPLORATION LICENCE

15. Rights of licensee

- (1) Each Exploration Licence shall be expressed and operate to vest in the licensee the exclusive right of searching for petroleum in the area to which the Exploration Licence applies.
- (2) Under special circumstances the Minister may authorise the holder of an authorisation applicable to adjacent areas to engage in such limited exploration in the licensed area as may be deemed necessary to obtain sufficient knowledge about the geological conditions in said adjacent areas. After the licensee has had an opportunity to present its views, the Minister may determine what operations may be carried out in which areas and during what period of time the exploration shall be permitted.

16. Categories of Exploration Licence

- (1) There are three categories of Exploration Licence:
 - (a) a Standard Exploration Licence which shall be issued in respect of an area with water depths up to 200 metres;
 - (b) a Deepwater Exploration Licence which shall be issued in respect of an area, in any part of which the water depth exceeds 200 metres; and
 - (c) a Frontier Exploration Licence which shall be issued in respect of an area with special difficulties related to physical environment, geology or technology and which is specified and announced from time to time by the Minister for Communications, Marine and Natural Resources as a "Frontier Area".
- (2) The Exploration Licence shall cover an area, to be agreed with the Minister, with particular reference to the work programme proposed by the applicant. The area of an Exploration Licence shall be expressed in terms of blocks and/or part blocks of the Williams Grid.
- (3) Any work performed in excess of the requirements of an agreed work programme may be carried forward to be credited in respect of a later period.

17. Standard Exploration Licence

- (1) **Duration of Licence**

The Licence shall be valid for a period of six years.

(2) **Exploration obligations**

- (a) During the first three years of the Licence the licensee shall undertake, in respect of the area covered by the Licence, an exploration programme which shall be agreed with the Minister before the issue of the Licence but which shall in any event involve the drilling of one exploration well.
- (b) Before the end of the third year of the Licence, a further work programme for the remaining period of the Licence shall be proposed by the licensee for the approval of the Minister.

(3) **Surrender of acreage**

At the end of the fourth year, the licensee shall surrender 50% of the licensed area, unless a second exploration well has been commenced by that date.

(4) **Rental Fees**

- (a) A fee calculated on the basis of £132 per sq. km. per annum shall be payable to the Minister on issue of the Licence and thereafter on the anniversary date of the issue of the Licence.
- (b) After surrender of acreage in accordance with paragraph (3) above, the annual fee shall be calculated on the basis of £264 per sq. km.

18. Deepwater Exploration Licence

(1) **Duration of Licence**

The Licence shall be valid for a period of twelve years.

(2) **Exploration obligations**

- (a) During the first four years of the Licence the licensee shall undertake, in respect of the area covered by the Licence, an exploration programme which shall be agreed with the Minister before the issue of the Licence but which shall in any event involve the drilling of one exploration well.
- (b) Before the end of the fourth year of the Licence a further work programme for the fifth, sixth and seventh years of the Licence shall be proposed by the licensee for the approval of the Minister.
- (c) Before the end of the seventh year of the Licence, a further work programme for the remaining period of the Licence shall be proposed by the licensee for the approval of the Minister.

(3) **Surrender of acreage**

- (a) At the end of the fourth year of the Licence, the licensee shall surrender 50% of the licensed area, unless the work programme, proposed by the licensee by that date and approved by the Minister, includes a commitment to commence a second exploration well before the end of the seventh year of the Licence.
 - (b) At the end of the seventh year of the Licence, the licensee shall surrender 50% of the acreage then held unless the work programme, proposed by the licensee by that date and approved by the Minister, includes a commitment to commence a third exploration well.
 - (c) At the end of the eighth year of the Licence, the Licence shall be surrendered if a second exploration well has not been commenced by that date.
- (4) **Rental fees**
- (a) A fee calculated on the basis of £66 per sq. km. per annum shall be payable to the Minister on issue of the Licence and thereafter on the anniversary date of the issue of the Licence.
 - (b) After surrender of acreage in accordance with paragraph (3) (a) above, the annual fee shall be calculated on the basis of £132 per sq. km.
 - (c) After surrender of acreage in accordance with paragraph (3) (b) above, the annual fee shall be calculated on the basis of £264 per sq. km.

19. Frontier Exploration Licence

- (1) **Duration of Licence**
The duration of Frontier Exploration Licences may vary in the cases of different areas which may from time to time be specified and announced by the Minister but a Frontier Exploration Licence shall be valid for a period of not less than fifteen years comprising a maximum of four phases. The Minister shall not consider an application for a Frontier Exploration Licence until a period of not less than two months has elapsed from the date of the Minister's announcement in accordance with the provisions of Section 16(1)(c), which announcement shall include details regarding the duration and phasing of the Licence and associated exploration obligations.
- (2) **Exploration obligations**
- (a) During the first phase of the Licence, the licensee shall undertake, in respect of the area covered by the Licence, a work programme which shall be agreed with the Minister before the issue of the Licence.
 - (b) Before the end of the first phase of the Licence, if the licensee wishes the Licence to continue in force, a work programme for the second phase of the Licence, which shall include the

drilling of one exploration well, shall be proposed by the licensee for the approval of the Minister.

- (c) Before the end of any subsequent phase of the Licence, a work programme for the succeeding phase of the Licence shall be proposed by the licensee for the approval of the Minister.

(3) **Surrender of acreage**

Three months before the end of the first phase, the licensee shall notify the Minister of the area it wishes to retain for the second phase.

- (a) At the end of the second phase of the Licence, the licensee shall surrender 50% of the acreage then held, unless the work programme for the third phase of the Licence, proposed by the licensee and approved by the Minister, includes a commitment to complete the drilling of a second exploration well before the end of the third phase of the licence.
- (b) For a Licence with four phases, at the end of the third phase of the Licence, the licensee shall surrender 50% of the then licensed area unless the work programme for the fourth phase of the Licence, proposed by the licensee and approved by the Minister, includes a commitment to commence a third exploration well.
- (c) At the end of the third phase of the Licence, the Licence shall be surrendered if a second exploration well has not been commenced by that date.

(4) **Rental fees**

- (a) A fee calculated on the basis of £22 per sq. km. per annum shall be payable to the Minister on issue of the Licence and thereafter on the anniversary date of the issue of the Licence during the first phase of the Licence.
- (b) A fee calculated on the basis of £44 per sq. km. per annum shall be payable to the Minister on the anniversary date of the issue of the Licence during the second and subsequent phases of the Licence.
- (c) After surrender of acreage in accordance with paragraph (3) (a) or (b) above, the annual fee shall be calculated on the basis of £88 per sq. km.

20. Variation of surrender provisions and continuation of Exploration Licence

- (1) In all cases of surrender of acreage held under an Exploration Licence, the area to be surrendered will be at the discretion of the licensee but the remaining area must be of reasonably regular shape in a continuous area.
- (2) In exceptional circumstances and in order to allow the performance of

a further agreed work programme, the Minister may consider and grant an application for the continuation of an Exploration Licence beyond the period for which it was issued.

- (3) Where the Minister permits the continuation of an Exploration Licence, the Licence shall in each case be subject to an annual rental fee calculated on the basis of the rate applicable in the final year of the Licence plus an incremental increase of £110 per sq. km. for each year that the Exploration Licence continues in force.

21. Voluntary termination of Exploration Licence and surrender of acreage

Provided that the licensee has observed all obligations and discharged all liabilities imposed by or incurred under the terms and conditions of an Exploration Licence the licensee may, at any time during the Licence period, by giving to the Minister not less than three months previous notice in writing to that effect, determine the Exploration Licence or surrender its interest in any specified part of the licensed area.

LEASE UNDERTAKING

22. Grant of Lease Undertaking

- (1) If the licensee discovers petroleum and if it appears to the licensee that such discovery may be commercial, the licensee shall so notify the Minister within a period ending no later than fifteen months after the commencement date of the exploration well which made the discovery. In the event that the licensee is unable to subsequently confirm as commercial the discovery so notified but is of the opinion that it may become commercial and the Minister concurs with the opinion of the licensee, the Minister, on application by the licensee, which application shall be made no later than three months before the expiry of the Exploration Licence, shall enter into an undertaking with the licensee to grant a Petroleum Lease in relation to that part of the licensed area which contains the discovery.
- (2) A Petroleum Lease granted by the Minister following a Lease Undertaking shall be subject to the terms and conditions which apply to Petroleum Leases generally.

23. Effective Date of Petroleum Lease

Where the Minister undertakes to grant a Petroleum Lease in accordance with Section 22, the Effective Date of the Petroleum Lease shall be:-

- (a) in the case of a gas discovery
 - eight years from the date of notification, or
 - on a date which is six years from the date of expiry of the Exploration Licence, or
 - on an earlier date,whichever date the applicant may choose;
- (b) in the case of an oil discovery
 - five years from the date of notification, or
 - on a date which is three years from the date of expiry of the Exploration Licence, or
 - on an earlier date,whichever date the applicant may choose.

24. Terms and conditions of Lease Undertaking

Each Lease Undertaking shall be subject to terms and conditions which shall include:-

- (a) the requirement that, no later than a specified date before the Effective Date, the holder of a Lease Undertaking will have established the discovery as being commercial and will have so notified the Minister;

- (b) the requirement that, having established the discovery to be commercial, the holder of a Lease Undertaking shall, no later than a specified date before the Effective Date, formally apply to the Minister for a Petroleum Lease;
- (c) payment of an initial annual consideration to the Minister of £877 per sq. km.; such annual consideration to increase by £110 per sq. km. in each subsequent year;
- (d) that the holder of the Lease Undertaking uses best endeavours to establish commerciality;
- (e) that an annual report, in a format to be agreed with the Minister, shall be presented to the Minister of the results of efforts to establish commerciality;
- (f) confidentiality provisions in respect of data in accordance with the provisions of Section 46; and
- (g) that the holder of a Lease Undertaking shall be the holder of a Petroleum Prospecting Licence during the full period of the Undertaking.

25. Voluntary termination of Lease Undertaking

A Lease Undertaking may be terminated by agreement between the Minister and the holder of the Undertaking.

PETROLEUM LEASE

26. Commercial discovery

A commercial discovery means a discovery of oil or gas of such quantity that the proceeds from the sale or disposal could be expected to be sufficient to cover all costs and expenses of every character covering the drilling, producing, treating, transporting, delivery and sale of such production, plus a reasonable profit, having regard to such other reserves and facilities as may be available. Reserves may be commercial where such reserves in themselves do not conform to the foregoing criteria but which, in conjunction with other reserves (which themselves may or may not conform to the criteria), may so conform.

27. Grant of Petroleum Lease

- (1) When a commercial discovery has been established it will be the duty of the authorisation holder to so notify the Minister and to apply forthwith for a Petroleum Lease with a view to its development. Such application shall include the outline development, financial and marketing plans for the exploitation of the discovery based on the applicant's considered likely production profile. An outline statement of the likely effects of the proposed development on the environment shall also be required.
- (2) When a Petroleum Lease is applied for under paragraph (1) and the Minister is satisfied by reference to the likely production profile and the applicant's outline development, financial and marketing plans that a commercial discovery has been made, it shall be the duty of the Minister to grant that application.
- (3) The Petroleum Lease will be in respect of an area determined by the Minister as covering the area of the petroleum field coming within the authorisation area still remaining to the applicant.

28. Plan of development

- (1) Within 2 years of the date of issue of a Petroleum Lease the lessee will be required to submit a detailed plan of development, in a format specified by the Minister but including a detailed production profile for the life of the field, for the approval of the Minister. An Environmental Impact Statement of the likely effects of the development on the environment shall also be required.

- (2) Operations within a leased area shall not be permissible unless the Minister has granted prior written approval.
- (3) The lessee shall be required to commence production within such period as may be specified by the Minister in the approval of the plan of development.
- (4) During the period of a Petroleum Lease, no material deviation from the approved plan of development shall take place without the Minister's prior approval to a revised plan of development.
- (5) A detailed plan of development, and any subsequent revised plan of development, shall include information on the design, siting, construction, establishment, operation, abandonment and removal of any facilities for the production, processing, storage or shipment (by tanker or pipeline or otherwise) of petroleum produced under the Petroleum Lease.
- (6) An application under this Section shall also include all such technical, economic and financial information, as will enable the Minister to evaluate the proposals fully and to assess their economic, social, safety and environmental implications.
- (7) The Minister may impose conditions in the approval of a plan of development.
- (8) In the exercise of the powers under this Section, the Minister shall consult with such other Ministers and authorities as the Minister deems to have a substantial interest and in accordance with law, shall have regard to relevant submissions and observations made concerning the proposed development.

29. Period of Petroleum Lease

- (1) A Petroleum Lease will be valid for such period as the Minister shall decide and specify in the Lease having regard to the likely production profile.
- (2) The period of a Petroleum Lease may be extended on terms and conditions as may be agreed by the Minister and the lessee. An application for extension shall be submitted at least one year prior to the expiry date.

30. Joint development

- (1) Every agreement for joint exploitation of a petroleum field shall receive the prior approval of the Minister.
- (2) Where a petroleum field extends across the boundaries of two or more areas held under an Exploration Licence or a Petroleum Lease and the licensees and/or lessees concerned are unable to reach agreement as to its exploitation, the Minister may decide that they shall exploit the field jointly, if the Minister deems it desirable to do so in order to achieve rational and optimum exploitation.
- (3) In such a case the Minister may specify the conditions under which joint exploitation will take place and the cost of any scheme which the Minister commissions shall be charged to the licensees and/or lessees.

31. Joint development with field extending outside designated area

- (1) Where the Minister is satisfied that any strata in an area held under an Exploration Licence or a Petroleum Lease form part of a petroleum field, other parts whereof are in an area to which the Minister's powers to grant authorisations do not apply, and the Minister is satisfied that it is expedient that the field should be worked and developed as a unit in co-operation by the licensee or lessee and all other persons having an interest in any part of the field, the Minister may from time to time by notice in writing give to the licensee or lessee such directions as the Minister may think fit, as to the manner in which the rights conferred by the Licence or Lease shall be exercised.
- (2) The licensee or lessee shall observe and perform all such requirements in relation to the licensed or leased area as may be specified in any such direction.
- (3) Any such direction may add to, vary or revoke the provisions of a joint exploitation scheme.

32. Leasehold rentals

The lessee will pay to the Minister an annual rental fee calculated on the basis of £1,755 per sq. km. until the date of first production. The annual rental fee shall be calculated on the basis of £2,742 per sq. km. from the date of first production and every subsequent year for the remainder of the Lease term. These rental fees will be revised with effect from 1 January 1994 and annually thereafter in line with the Wholesale Price Index as published by the Central Statistics Office.

33. Right to determine Petroleum Lease

Without prejudice to any obligation or liability imposed by or incurred under the terms and conditions of a Petroleum Lease the lessee, may at any time after the date of issue of the Lease, by giving to the Minister not less than twelve months previous notice in writing to that effect, determine the Lease.

RESERVED AREA LICENCE

34. Provisions relating to Reserved Area Licence

- (1) A lessee may at any time apply for a Reserved Area Licence in respect of a specified area adjacent to or surrounding the leased area and which is not the subject of an authorisation other than a Petroleum Prospecting Licence granted to a person other than the lessee.
- (2) Provided the applicant has observed and performed the obligations required under the Petroleum Lease, the Minister may grant a Reserved Area Licence on terms and conditions identical to those applicable in respect of an Exploration Licence.
- (3) A Reserved Area Licence shall be expressed and operate to vest in the licensee the same rights in respect of the area as if it were an Exploration Licence.
- (4) Each Reserved Area Licence shall be granted subject to the payment of an annual rental fee identical to that for the appropriate Exploration Licence.

Part III General provisions
relating to all authorisations

35. Taxation

An authorisation, listed in Section 1(2)(b) to (f) inclusive, will only be granted to an applicant who would, as an authorisation holder, be chargeable, in accordance with the laws of Ireland, to tax in respect of profits, income and capital gains arising from, or connected with, operations conducted in the offshore area to which the authorisation applies, and who would continue to be so chargeable for the full period of which the authorisation is held. Accordingly, but without prejudice to the generality of the foregoing provisions of this Section, an authorisation will not be granted to an applicant who would not, whether by virtue of the Convention set forth in Schedule 8 of the Income Tax Act, 1967 or by virtue of any arrangements having force of law by virtue of Section 361 of that Act, as an authorisation holder, be chargeable, in accordance with the laws of Ireland, to tax in respect of profits, income or capital gains arising from, or connected with, operations conducted in the offshore area to which the authorisation would apply. The Minister may at any time before or after granting an authorisation impose such requirements on the applicant or the authorisation holder as the Minister considers necessary to ensure that the applicant will be, or that the authorisation holder is, as the case may be, chargeable, in accordance with the laws of Ireland, to tax in respect of profits, income and capital gains arising from, or connected with, operations conducted in the offshore area to which the authorisation applies.

36. Application of other requirements

The terms and conditions contained in this notice are in addition to any statutory requirements of the Minister or other competent authority.

37. Minister's right to grant authorisations and to impose conditions

By accepting an authorisation listed in Section 1(2), the authorisation holder agrees that the Minister has full authority in law to grant the authorisation, to impose each of the conditions specified therein, and to do any act and give any direction provided for by the terms and conditions thereof.

38. Exclusive jurisdiction of Irish Courts

All claims and all disagreements and disputes whatsoever and howsoever arising in regard to any contract or authorisation entered into by the Minister in pursuance of the Petroleum and Other Minerals Development Act, 1960 or in anywise related thereto should be subject to Irish Law and all disputes requiring arbitration shall be subject to the Arbitration Act, 1954 as amended. All such disputes, claims or arbitrations shall be justiciable in Irish Courts.

39. Changes to authorisation holder

- (1) An authorisation shall be granted to an applicant on the basis of its charter or constitution at the time of issue. Any subsequent alteration in the charter or constitution of the authorisation holder shall, within 21 days of such alteration, be notified in writing to the Minister.
- (2) For the purpose of satisfying the Minister that the ability of the authorisation holder to discharge the responsibilities under the authorisation is maintained, the Minister shall be notified, as soon as is practicable, of any transaction which in effect results in either of the following:
 - (a) any major change in the shareholdings of the authorisation holder or of its parent company; or
 - (b) any major change in the control of the authorisation holder or its parent company.

40. Assignments or transfers of interest

- (1) Assignment or transfer of interest, directly or indirectly, in whole or in part, of any rights under the authorisation will not be permissible except with the prior written consent of the Minister.
- (2) In giving consent under paragraph (1) above the Minister may impose any such conditions as the Minister considers desirable including conditions which are for the purpose of ensuring that in respect of profits, income and capital gains arising from, or connected with, operations conducted in the offshore area to which the authorisation applies, the assignee would be chargeable, in accordance with the laws of Ireland, to tax.
- (3) The Minister will require the payment of an application fee of £1,097 and an administrative fee of £2,193 in relation to an application under this section.

41. Performance bond

The Minister may, upon granting an authorisation or at a later date, direct the authorisation holder to post a performance bond or guarantee to ensure fulfilment of the obligations to be undertaken as well as to cover any liability which may be incurred relating to the activity of the authorisation holder.

42. Joint obligations

Any obligations which are to be observed and performed under the authorisation when the authorisation is held by more than one company shall be joint and several obligations.

43. Insurance, indemnity, payment of claims

- (1) The authorisation holder will be required to take out a policy of insurance on terms, and with a company, approved by the Minister, indemnifying the authorisation holder against all claims by employees of the authorisation holder for workmen's compensation, damages at common law or otherwise and will maintain and keep up this policy so long as the operations of the authorisation continue and will pay all premiums thereunder and will on demand produce the policy and receipts for the premium to the Minister or any person authorised by him.
- (2) The authorisation holder shall at all times keep the Minister effectually indemnified against any claim, demand or damage whatsoever in respect of its operations under the authorisation or for injury or damage to any person or property (including the person or property of any other person in receipt of an authorisation from the Minister) or for nuisance or in any way arising out of or attributed to the exercise or purported exercise of any of the rights and privileges conferred by the authorisation or attributed to any act or omission of the authorisation holder or its officers, servants, employees, or workmen or contractors or persons in privity with the authorisation holder whether such claims shall be made against the Minister or the authorisation holder and the Minister jointly or with others.
- (3)
 - (a) The authorisation holder shall pay and discharge all legal claims for compensation successfully made in respect of damage caused by the authorisation holder or its officers, servants, employees or workmen or contractors or persons in privity with the authorisation holder or in respect of nuisance or in respect of injury to the person or property attributed to the act or omission of the authorisation holder or its officers, servants, employees or workmen or contractors or persons in privity with the authorisation holder, including such claims by other authorisation holders.
 - (b) The provisions of this paragraph shall not be construed to derogate from or modify the indemnity afforded the Minister by the authorisation holder as provided in paragraph (2).
- (4) The Minister may upon granting an authorisation or at a later date require the authorisation holder to arrange insurance in a manner

approved by the Minister in respect of liability for any damage, including pollution damage or in respect of any liability which may arise as a result of its operations under the authorisation."

- (5) The authorisation holder shall forthwith inform the Minister in writing of the making of any claim or the commencement of any action, suit, proceedings or arbitration arising out of the exercise or purported exercise of the rights and privileges granted by the authorisation, or arising from or attributed to any act or omission of the authorisation holder or its officers, servants, employees or workmen or contractors or persons in privity with the authorisation holder and shall furnish to the Minister all the information which the Minister may from time to time require as to any such claim, action, suit, proceedings or arbitration.

44. Increase of money terms

The Minister shall have the right, from time to time, to increase all money amounts mentioned herein having regard to relevant economic factors and shall notify the authorisation holder accordingly. The increases shall have effect from the date of such notice.

45. Records

The authorisation holder shall keep and furnish to the Minister, free of charge and within time limits which may be specified by the Minister, such records, returns, plans, maps, samples, accounts, interpretations and other information as the Minister may specify.

46. Confidentiality

- (1) All records, returns, plans, maps, samples, accounts, interpretations and other information (hereinafter collectively referred to as "data") which are furnished under the provisions of an authorisation shall be supplied at the expense of the authorisation holder; and, except with the consent in writing of the authorisation holder which will not be unreasonably withheld, such data will not be disclosed to any person not in the service or employment of the State until:
- (a) - in the case of well data, 5 years have elapsed from the rig-release date;
 - in the case of geophysical data, 5 years have elapsed from the completion of processing or 5½ years from the completion of acquisition, whichever is the earlier;

- in the case of all other data, 5 years have elapsed after being furnished, or,
 - (b) 3 years after expiry of the authorisation, or
 - (c) 2 years after surrender, or
 - (d) immediately after revocation,
- whichever is the earliest.
- (2) Notwithstanding the above and, except where the provisions of paragraph (3) apply, the provisions of (b) and (c) of paragraph (1) shall not apply in the case of a Petroleum Prospecting Licence.
 - (3) If an Exploration Licence is not issued following a Licensing Option or if a Petroleum Lease is not granted following a Lease Undertaking, the Minister shall be immediately free to release or otherwise disseminate such data provided under the provisions of the Licensing Option or the Lease Undertaking.
 - (4) For the purposes of paragraph (1) "State" does not include any State agency which may have as its object exploration for and exploitation of petroleum.
 - (5) The Minister will be entitled at any time to make use of any information received from the authorisation holder for the purpose of preparing and publishing general or periodic returns and reports and to release at any time general topographical data, the results of surveys carried out on the Minister's behalf, and general information about discoveries and prospects, the progress of exploration work and the location, current depth and current status of wells.
 - (6) All proprietary information provided in conjunction with an unsuccessful application for an authorisation shall remain confidential and shall not be released.

47. Public statements

- (1) No statement shall be made either in any notice, advertisement, prospectus or other document issued to the public or to any section of the public by or to the knowledge of the authorisation holder or in any other manner claiming or suggesting, whether expressly or by implication, that the Government or the Minister or any person or body acting on behalf of them has or have formed or expressed any opinion that the area of the authorisation is, from its geological formation or otherwise, one in which petroleum is likely to be obtainable.
- (2) The authorisation holder shall, before issuing a public statement in connection with such authorisation, first furnish such information in advance of publication to the Minister.

- (3) The Minister may, following consultation with the authorisation holder, issue a public statement on the results of any drilling operation which may contain information on any or all of the following matters; operator, Licence group, well name, drilling unit, drilling period, drilling location, water depth, total well depth, final well status (e.g. plugged and abandoned, suspended, completed as producer, junked), main well results (e.g. shows, tested, oil/gas/condensate discovery, oil/gas/condensate flows, flow rates, hydrocarbon quality).

48. Training of Minister's nominees

The Minister may at any time reasonably require the authorisation holder to undertake the training of persons nominated by the Minister.

49. Appointment of authorised officer

The Minister may appoint any person to be an authorised officer to oversee exploration for and exploitation of petroleum, and to ensure these operations are carried out in conformity with good oilfield practice, with the provisions of the appropriate Rules and Procedures Manual, with any statute or statutory instrument, with any authorisation issued by the Minister, or with any requirements which the Minister is entitled to impose.

50. Rights of authorised officer

- (1) An authorised officer shall at all reasonable times have access to premises, exploration vessels, drilling units, production facilities, other installations and shipment and pipeline facilities as well as to all data and materials pertaining to exploration and exploitation operations.
- (2) An authorised officer shall be entitled to stay on board vessels or other installations as long as such officer deems necessary.
- (3) An authorised officer may at all reasonable times inspect and make abstracts or copies of any records, returns, plans, maps, books or accounts which the authorisation holder is required to keep or make and may also take such samples as such officer deems necessary. The authorisation holder shall ensure that the authorised officer is given access to all relevant material which is in the possession of a person other than the authorisation holder.
- (4) An authorised officer shall be entitled at all reasonable times to execute any works or provide and install any equipment which the Minister may be entitled to execute or provide and install.

- (5) The authorisation holder shall be obliged to arrange for the transport of authorised officers to and from vessels, drilling units and production and other facilities and also to arrange for their lodging on board. The cost of transport and lodging shall be borne by the authorisation holder.
- (6) An authorised officer may call attention to violations and issue necessary instructions. The authorisation holder shall comply with an instruction issued under this paragraph.
- (7) In the case of serious or repeated violations an authorised officer may temporarily bring operations to a halt.
- (8) The Minister may decide and direct that moveable facilities shall be taken to an Irish or other port for inspection purposes.
- (9) The foregoing rules shall also apply to aircraft including helicopters.

51. Arbitration

- (1) Any dispute between the parties hereto arising out of or in connection with the authorisation unless otherwise resolved shall be settled by arbitration proceedings between the Minister as one party and the authorisation holder as the other party and such proceedings shall determine the measures to be taken by the parties including, if appropriate, payment of compensation, to put an end to or remedy the damage caused by any breach of the provisions of the authorisation.
- (2) In order to institute proceedings for arbitration the party desiring to do so must give notice to the other party specifying the matter in dispute and giving notice that unless an agreement is reached within 30 days arbitration will be instituted. If the matter is not settled within such 30 days then within 10 days thereafter each party shall appoint an arbitrator and such arbitrators shall within 21 days of their appointment appoint an umpire. If the arbitrators fail duly to appoint the umpire then either party may apply to the High Court of Justice to appoint the umpire. The umpire and the arbitrators shall sit together and the award of any two of them shall be binding on all parties.
- (3) In no event shall any arbitrator be an employee of the authorisation holder or an employee or agent of the Government of Ireland or any Department or agency thereof or of any county or political sub-division thereof. No umpire shall ever be selected who is in any way connected with either party or who for any reason might be obliged to or expect favours from either party. In so far as is not inconsistent with express terms of this provision, the Arbitration Act, 1954 shall apply.

52. Revocation

- (1) Any of the following shall be grounds for revocation of an authorisation:
 - (a) failure to pay monies due as a condition of the authorisation within thirty days of the date same shall become payable;
 - (b) any substantial breach or non-observance of any requirement imposed by law or of a direction given by the Minister or other appropriate Minister or of a condition set out in the terms of the authorisation;
 - (c) where, in respect of the application for the relevant authorisation, significant information shall have been withheld from the Minister or significant information furnished to the Minister shall have been false;
 - (d) an alteration to the charter or constitution of the authorisation holder or a material change in the technical competence of the authorisation holder or the making by the authorisation holder of any arrangement or composition with its creditors which, in the Minister's view, is such as is likely to impair the capability of the authorisation holder to fully discharge the obligations arising under the authorisation;
 - (e) where the authorisation holder ceases to be chargeable, in accordance with the laws of Ireland, to tax in respect of profits, income or capital gains arising from, or connected with, operations conducted in the offshore area to which the authorisation applies;
 - (f) in the case of a Petroleum Lease, failure by the lessee to submit a plan of development acceptable to the Minister within time limits specified in the Lease; or
 - (g) the appointment of a receiver or any liquidator whether compulsory or voluntary (other than a voluntary liquidation merely for reconstruction of which the Minister shall have had notice and shall have approved).
- (2) The Minister may revoke an authorisation in the circumstances stated in paragraph (1) provided, however, that thirty days notice of the Minister's intention to act on the grounds referred to in (a), (b), (c), (d), (e) or (f) of paragraph (1) shall be given and that the reasons for the Minister's intention to revoke the authorisation shall be specified. The revocation shall be effective at the end of the period of notice unless the situation which has given rise to the Minister's intention to revoke the authorisation has been resolved to the Minister's satisfaction.
- (3) On revocation:
 - (a) all rights and powers exercisable by the holder of the relevant authorisation shall cease and determine but without prejudice

to any obligation or liability arising under Irish law or by the provisions of the relevant authorisation;

(b) any monies paid to the Minister under the terms of the relevant authorisation shall not be repaid.

(4) If by reason of force majeure the performance and observance of any condition on the part of the authorisation holder (other than an obligation to make payments of money) shall be delayed, the period of such delay shall be added to the period provided by the relevant authorisation for the performance and observance of that condition and meantime the holder shall not be treated as in breach of such condition. The expression "force majeure" means act of God, strikes, lock-outs, acts of public enemy, wars, blockades, arrest and restraints of government and people, civil disturbance and like causes which are not within the control of the authorisation holder, provided always that the authorisation holder shall take all proper and necessary steps to perform and observe the condition at the first opportunity of the cessation of the circumstances which brought about the delay.

Part IV Other provisions

53. Good industry practice

The authorisation holder shall at all times conduct its activities in accordance with good industry practice and in conformity with the procedures set out in the appropriate Rules and Procedures Manual issued by the Minister.

54. Work programmes

- (1) It shall be the responsibility of the authorisation holder to propose the details of work programmes which shall in all cases be submitted for the approval of the Minister prior to the commencement of such programmes. In granting approval the Minister may attach conditions including conditions relating to the nature, depth and location of wells.
- (2) An extended production test may only be carried out following the prior written consent of the Minister. The Minister may attach conditions to any such consent.

55. Notices

- (1) The authorisation holder shall, before commencing any operations, furnish to the Minister the name and address of the local resident manager under whose supervision such operations are to be carried on. Any notice which the Minister or an authorised officer is, in accordance with the terms of the authorisation, required or entitled to serve upon the authorisation holder shall be sufficiently served if the same shall be delivered, sent by post or communicated by facsimile transmission or telex to such manager at such address.
- (2) The Minister shall be supplied with prior notice of the commencement of any activities in the area of an authorisation in accordance with the relevant provisions of the appropriate Rules and Procedures Manual.

56. Joint operating agreements

In any case where the authorisation is held by more than one company, a copy of any operating agreement between the partners and any amendment thereto shall be submitted to the Minister for information and any proposed change of operator shall be subject to the Minister's prior approval.

57. Approval of drilling, plugging and abandonment

- (1) The authorisation holder shall apply to the Minister for consent to the commencement or re-commencement of the drilling, plugging or abandonment of any well. Every such application shall be in the form described in the appropriate Rules and Procedures Manual. The Minister may attach conditions to any such consent.
- (2) Any temporary plugging and abandonment of a well shall be carried out in accordance with the Minister's requirements so as to leave the well in good order and fit for further working.
- (3) Casings and fixtures left in position with the consent of the Minister at the expiry or determination of the authorisation holder's rights in respect of any area shall, if the Minister so specifies, become the property of the Minister.

58. Procedures for recruitment of personnel

The Minister may, after consultation with the Minister for Enterprise, Trade and Employment, specify requirements in regard to procedures for the recruitment of personnel by the authorisation holder. The authorisation holder shall ensure that such requirements are complied with by its contractors and sub-contractors.

59. Safety, health and welfare of employees

- (1) The authorisation holder shall take all necessary steps for securing the safety, health and welfare of persons employed or undergoing training in or about the area of the authorisation.
- (2) The authorisation holder shall comply with all statutory requirements in this regard and all directions given by the relevant competent authorities.

60. Protection of environment, property and strata

- (1) All operations shall be conducted with due regard for the protection of the environment, protection of property and protection of petroleum - or water - bearing strata and shall be conducted in accordance with all relevant regulations and requirements.
- (2) In the event of pollution or the threat of pollution caused by operations conducted by or on behalf of the authorisation holder, the authorisation holder, in accordance with law and established procedures, shall at its expense immediately control and remove the pollutant and deal effectively with any threat of pollution.

61. Flaring, venting and reinjection

The flaring, venting or reinjection of petroleum and the reinjection of water or any other material shall in all cases be subject to the prior approval of the Minister, except in emergencies.

62. Reporting of shipwrecks

On discovery of a shipwreck or object of possible historical interest the matter shall be reported in accordance with the provisions of the Rules and Procedures Manual.

63. Pipelines and other facilities

- (1) The authorisation holder shall not have the right to oppose the laying of pipelines or cables of any kind in, on or above the area of an authorisation, provided that this has been approved by the Minister.
- (2) The Minister may also authorise the construction of storage and other facilities within the area of an authorisation on behalf of a person other than the authorisation holder provided that the Minister is satisfied that this would not cause unreasonable inconvenience to the authorisation holder.
- (3) Before any such facilities are constructed the relevant authorisation holder shall be given the opportunity to present its views.
- (4) Compensation shall not be payable to the authorisation holder except in cases where the Minister considers that it would be just and equitable that an amount specified by the Minister should be paid by the interests responsible for the installations.

64. Use of facilities by others

- (1) Where the Minister decides, with a view to the optimum exploitation of petroleum in the national interest, that the facilities referred to in Sections 28 and 63 shall be available for utilisation by persons in addition to the owner, the Minister may require the owner of the facilities to enter into discussions with such persons with a view to reaching agreement on the utilisation of such facilities on terms and conditions, which shall include compensation, to be agreed between the parties, provided that this does not constitute an unreasonable

infringement of the rights of the owner or existing users or an abuse by the owner or existing users of a dominant position.

- (2) In the event that the parties are unable to agree on such terms and conditions the matter may be referred by any of them to arbitration in accordance with the procedure set out in Section 51(2).

65. Non-interference with fishing and navigation

An authorisation holder shall not carry out any operations in such manner as to interfere unreasonably with navigation or fishing. Furthermore the authorisation shall not preclude persons other than the authorisation holder from engaging in fishing operations provided that such operations shall not create significant inconvenience to the activities conducted under the provisions of the authorisation.

66. Exploration for and exploitation of non-petroleum resources

An authorisation shall not preclude persons other than the authorisation holder from obtaining facilities to engage in exploration for and exploitation of resources other than petroleum to the extent that such operations do not create significant inconvenience to the activities conducted under the provisions of the authorisation provided that such persons, having obtained the prior written consent of the Minister, shall give not less than 30 days notice to the authorisation holder of their intention to engage in such activities.

67. Minister's power to execute work

If an authorisation holder fails at any time to perform the obligations arising under the terms and conditions of the authorisation, the Minister shall be entitled, after giving reasonable notice in writing, to execute any works, to provide and install any equipment which in the opinion of the Minister may be necessary to secure the performance of the said obligations and to recover the costs and expenses of so doing from the authorisation holder.

68. Suspension or interruption of activities

- (1) The Minister may, for such period as the Minister deems necessary, require that specified exploration, exploitation, production or processing activities should cease or be continued subject to conditions which the Minister may specify, in any case where the Minister is satisfied that it is desirable to do so in order to reduce the risk of injury to the person, waste of petroleum or damage to property or the

environment. No claim for compensation may be made against the Minister on foot of any such requirement.

- (2) If an incident occurs which causes injury to the person, waste of petroleum or damage to property or the environment, whether or not the interruption of any activity is involved, the Minister shall be informed immediately in accordance with the provisions of the appropriate Rules and Procedures Manual. The Minister may conduct whatever investigations into such incident as the Minister deems fit.

69. Sale of production

- (1) All petroleum produced, other than petroleum flared, vented or reinjected or consumed by the authorisation holder in connection with production operations, shall be sold by, and payment made to, a person resident in Ireland.
- (2) The sale of any petroleum produced shall be on an arms length commercial basis. In the case of a sale to an affiliated or connected company the arrangements shall be such as if the sale is to an independent company. For the purpose of confirming that this is the case, the Minister may make such enquiries as he considers necessary and the authorisation holder shall co-operate with such enquiries.

70. Measurement of petroleum

- (1) All petroleum produced must be measured, analysed, tested and weighed by methods customarily used in good industry practice and as approved by the Minister. No alteration in these methods shall be made without the Minister's prior consent.
- (2) Such measurement, analysis, testing and weighing may from time to time be subject to inspection on behalf of the Minister and the costs of such shall be borne by the authorisation holder. If any falsification or error is located it shall be deemed to have existed since the last inspection unless it is proved otherwise.

71. Abandonment

- (1) It shall be the responsibility of the authorisation holder to make provision for and to carry out abandonment of fixed facilities as approved by the Minister.
- (2) Not later than a date specified by the Minister, the authorisation holder shall submit to the Minister for approval a written plan setting out

proposals for the abandonment, following permanent cessation of operations in the area, of all fixed facilities relating to such operations. The Minister may attach conditions to the approval of abandonment proposals.

- (3) In this Section abandonment means the removal, part removal or leaving in place of any installation or facility following completion of operations involving such installation or facility.
- (4) When an authorisation expires or is determined or revoked or when an area is surrendered, all fixed installations and facilities left in the area pursuant to the abandonment plan approved by the Minister shall become the property of the Minister without payment of compensation.
- (5) If the authorisation holder fails to implement an abandonment plan approved by the Minister or fails to submit an abandonment plan, the Minister may carry out an abandonment programme and the authorisation holder shall be liable for all costs incurred by the Minister.
- (6) In the case of surrendered areas, the provisions of paragraph (4) may not apply where the Minister is satisfied that the property in question is necessary for the continued operations by the authorisation holder under any authorisation issued by the Minister. The authorisation holder shall not, however, be entitled to retain property in a surrendered area unless the Minister is satisfied that this would not interfere with any other legitimate activities in that area.
- (7) The Minister may demand that the authorisation holder take such steps as may be necessary to ensure that exploration for and exploitation of petroleum may safely continue.
- (8) The provisions of this Section are additional to the requirements of Section 57 in regard to wells.

Appendix

Main acts and statutory instruments relevant to offshore oil and gas exploration and development

Acts

Petroleum and Other Minerals Development Act, 1960 (No. 7 of 1960)
Continental Shelf Act, 1968 (No. 14 of 1968)
Gas Act, 1976 (No. 30 of 1976)
Dumping at Sea Act, 1981 (No. 8 of 1981)
Safety, Health and Welfare (Offshore Installations) Act, 1987 (No. 18 of 1987)
Safety, Health and Welfare at Work Act, 1989 (No. 7 of 1989)
Sea Pollution Act, 1991 (No. 27 of 1991)
Energy (Miscellaneous Provisions) Act 1995 (No. 35 of 1995).

Statutory Instruments

Continental Shelf (Designated Areas) Order, 1989 (SI No. 141 of 1989)
European Communities (Environmental Impact Assessment) Regulations, 1989 (SI No. 349 of 1989)
Gas Act, 1976 (Sections 4 and 40a) Regulations, 1990 (SI No. 51 of 1990)
Petroleum and Other Minerals Development Act, 1960 (Section 13a) Regulations, 1990 (SI No. 141 of 1990)
Safety, Health and Welfare (Offshore Installations) (Installations Managers) Regulations, 1991 (SI No. 13 of 1991)
Safety, Health and Welfare (Offshore Installations) (Emergency Procedures) Regulations, 1991 (SI No. 14 of 1991)
Safety, Health and Welfare (Offshore Installations) (Life-Saving Appliances) Regulations, 1991 (SI No. 15 of 1991)
Safety, Health and Welfare (Offshore Installations) (Operations) Regulations, 1991 (SI No. 16 of 1991)
Sea Pollution (Harmful Substances in Packaged Form) Regulations 1997 (SI No 513 of 1997).
Sea Pollution (Prevention of Oil Pollution) (Amendment) Regulations 1997 (SI No 514 of 1997).
Sea Pollution (Control of Pollution by Noxious Liquid Substances in Bulk) (Amendment) Regulations 1997 (SI No 515 of 1997).
Sea Pollution (Prevention of Pollution by Garbage From Ships) (Amendment) Regulations 1997 (SI No 516 of 1997).*
European Communities (Hydrocarbons) (Prospection, Exploration and Production) Regulations, 1998. (SI No 77 of 1998).

* Under SI No 516 every ship and fixed and floating platform shall be provided by its owner with a Garbage Record Book. The Garbage Record Book can be purchased at Mercantile Marine Offices in Dublin and Cork.