

Regulations, apart from those conditions relating to the duration of the licences and the surrender of parts of the licensed area.

3. The consideration required in respect of production licences granted as a result of this invitation will be:

- (a) in respect of licences referred to in paragraph 2(a) above an initial payment, at the time the offer of a licence is accepted, of £350 for each square kilometre comprised in the licensed area;
- (b) in respect of licences referred to in paragraph 2(b) above an initial payment, at the time the offer of a licence is accepted, of £60 for each square kilometre comprised in the licensed area;
- (c) in either case subsequent annual payments determined according to the following provisions:

(i) in respect of licences referred to in paragraph 2(a) above, on the sixth anniversary of the date of commencement of the licence term (following exercise of the option to continue as to the remaining period of the licence) the sum of £400 will be payable for each square kilometre in the area to which the licence then relates; on the seventh anniversary £800 per square kilometre and so on, rising by annual increments of £400 until an annual sum of £6,000 is payable for each square kilometre comprised in the licensed area;

(ii) in respect of licences referred to in paragraph 2(b) above, on the third, fourth and fifth anniversaries of the date of commencement of the licence term the sum of £20 will be payable for each square kilometre comprised in the licensed area; on the sixth, seventh and eighth anniversaries the sum of £40 will be payable for each square kilometre comprised in the licensed area; on the ninth, tenth and eleventh anniversaries (following exercise of the option to continue as to the remaining period of the licence) the sum of £200 for each square kilometre in the area to which the licence then relates; on the twelfth anniversary £650 per square kilometre and so on, rising by annual increments of £450 until an annual sum of £5,600 is payable for each square kilometre comprised in the licensed area;

(iii) the payments specified in sub-paragraph 3(c)(i) and 3(c)(ii) above will be subject to variation as follows:

- (aa) The annual payments will be increased or subsequently reduced in line with movements in the Index of the Price of Crude Oil acquired by Refineries (published in the Digest of UK Energy Statistics) if the Minister so determines. The Minister will give notice of any such determination ("biennial determination") during the month preceding the eighth anniversary of the date of commencement of licences referred to in paragraph 2(a) above, or the thirteenth anniversary of the date of commencement of licences referred to in paragraph 2(b) above, or any subsequent two-yearly anniversary, and will specify in the notice the increase or reduction in the amount payable. Movements in the Index will be calculated by reference to a comparison between the arithmetic mean of the Index levels for the two latest calendar years for which figures are available at the time when the determination is made, and the arithmetic mean of the Index levels for 1988 and 1989. In the event that the Index of the Price of Crude Oil acquired by Refineries ceases to be published, the Minister may substitute arrangements for redetermination of annual payments having substantially similar effect to those set out above based on such other comparable Index as he may determine.
 - (bb) The increase or reduction specified in a biennial determination will be payable or take effect on the anniversary of the date of commencement of the licence next following the date of the relevant determination.
 - (cc) No biennial determination will have effect so as to reduce the annual payments below the levels set in sub-paragraphs 3(c)(i) or 3(c)(ii) as the case may be.
 - (dd) The Minister will not make a biennial determination increasing or reducing the amounts payable, where that increase or reduction would be 5 per cent or less of the levels set following the previous biennial determination.
- (d) A royalty (provided for in clauses 10-13 of Schedule 4 to the Regulations) at the rate of 12.5 per cent payable in respect of petroleum won and saved from any field which is neither:
- (i) a relevant new field for the purposes of the Petroleum Royalties (Relief) Act 1983, nor
 - (ii) a relevant Southern Basin or onshore field for the purposes of the Petroleum Royalties (Relief) and Continental Shelf Act 1989.

4. Licences may be granted subject to special conditions governing the notice required for, and the timing and circumstances of,

operations carried out thereunder. It should also be noted that on certain blocks, designated by an asterisk in the Schedules, areas within which drilling may take place will be restricted.

5. Licences granted under Frontier Area terms.

- (a) Applicants for such licences will be required to submit to the Department of Energy a work programme of seismic and other forms of exploration not involving drilling. Proposals for drilling will be acceptable but not required. The work programme will have to be carried out in the first three years ("the first part") of the initial term of the licence. However, the Secretary of State will be prepared to consider using his discretion to extend the first part of the initial term to a maximum of four years in individual cases. (In such cases the total length of the initial term will remain at nine years).
 - (b) If licensees do not wish to continue into the second part of the initial term they may surrender the licence at the end of the first part of the initial term.
 - (c) There will be no requirement for licensees to submit a work programme to the Department of Energy for the second part of the initial term. However, a decision by licensees to continue into the second part of that term will be taken to mean that, if no well has already been drilled under the licence, they would plan to drill at least one exploration well before the expiry of the initial term. The number of wells drilled by the end of the initial term will determine how much acreage may be retained for the second term, in accordance with the provisions of paragraph 6 below, unless circumstances in individual cases justify an alternative approach.
6. Licensees holding a licence issued under Frontier Area terms will be allowed to retain acreage at the end of the initial term according to the following provisions unless the Secretary of State decides otherwise. One exploration well drilled in the initial term will allow retention of up to a quarter of the area held by the licensee at the end of the initial term. Two exploration wells drilled will allow retention of up to half the area held by the licensee at the end of the initial term. Three or more exploration wells drilled will allow retention of the whole of the area held by the licensee at the end of the initial term. Wells drilled in both parts of the initial term of the licence will be allowed to count for this purpose. Licensees will be able to opt to retain less than the maximum allowed. In order to qualify under these provisions, wells must be drilled to geological targets where hydrocarbons are expected to be present or for the purposes of establishing the source and reservoir potential of the overall geological section of the licensed area.
7. For licences awarded under Frontier Area terms, the Secretary of State will be prepared to give consent to proposals, where these are otherwise acceptable, to assign interests in licences to others after the end of the first part of the initial licence term.

Applications for Licences.

8. In respect of all blocks listed in the Schedules:

- (a) applications should be made on a standard application form available from the Department of Energy. Applicants should note that the Secretary of State will entertain applications only for blocks and tranches of blocks specifically identified in the application and drawn from those listed in the Schedules;
- (b) applications in respect of the blocks listed under Schedule 1 should be delivered between 0930 and 1200 hours on Tuesday, 11th December 1990 or between 0930 and 1200 hours on Wednesday, 12th December 1990 to the Oil & Gas Division of the Department of Energy at 1 Palace Street, London SW1E 5HE, together with a remittance in respect of the appropriate application fee which will be increased to £3,700 in a forthcoming amendment to Regulation 9(2) of the Regulations;
- (c) applications in respect of the tranches of blocks listed under Schedule 2 should be delivered between 0930 and 1200 hours on Tuesday, 15th January 1991 to the Oil & Gas Division of the Department of Energy at 1 Palace Street, London SW1E 5HE, together with a remittance in respect of the appropriate application fee which will be increased to £3,700 in a forthcoming amendment to Regulation 9(2) of the Regulations;
- (d) no applications will be accepted after 1200 hours on Wednesday, 12th December 1990 in respect of the blocks listed in Schedule 1 and after 12.00 hours on Tuesday, 15th January 1991 in respect of the tranches of blocks listed under Schedule 2;
- (e) (i) applicants for licences for blocks listed in Schedule 1 are requested to indicate where possible any preference they attach to the blocks applied for and should indicate if blocks are applied for as alternatives;
- (ii) applicants for licences for tranches of blocks listed in Schedule 2 must indicate the preference they attach to the