

Awards in Predefined Areas



Norwegian continental Shelf 2008

Conditions relating to environmental concerns and fishery interests

Conditions for the award, cf. item 4b in the announcement

For blocks awarded in APA 2008, cf. item 3, second paragraph, conditions mentioned below shall apply.

When planning drilling activities, particular care must be taken with respect to fishery activities and marine organisms. Prior to exploration drilling, measures to inform the parties concerned must be taken.

When planning seismic surveys, the licensees must take particular care with respect to fishery activities and marine organisms at critical stages in their life cycles.

Licensees are required to undertake necessary mappings of possible coral reefs and other important benthic communities, including important habitats for sandeels, that can be affected by petroleum activity in the awarded blocks, and ensure that these possible communities are not damaged by the petroleum activity. In the predefined area in the Barents Sea, the seabed mapping shall be carried out in a format that is compatible with the MAREANO programme before initiating activity in the specific block(s). Separate conditions can be set to avoid damage on coral reefs and important benthic communities.

Licensees are required to map and report discoveries of wrecks and other cultural monuments that can be affected by petroleum activity in the awarded blocks and, in cooperation with cultural monument administration, ensure that possible cultural monuments are not damaged by the petroleum activity.

The operator shall on behalf of the licensees, in due time, send an application to the Norwegian Pollution Control Authority for a permit to conduct petroleum activities.

In accordance with the Report to the Storting no. 25 (2002–2003) there shall as a main rule be zero discharge of environmentally harmful components to the sea. Furthermore, it is a goal that the risk of environmental damage caused by discharge of other chemical components is minimized. The target of zero discharge applies to all offshore operations, both drilling and well operations, as well as production and discharges from pipelines. For each single field an overall evaluation of relevant issues, including environmental consequences, safety related matters, reservoir related issues and issues relating to costs shall be undertaken in order to choose the most suited measures to achieve the zero discharge target. This evaluation will be undertaken in connection with the impact assessment study that, according to the Petroleum Act, must be undertaken as a part of the Plan for Development and Operation.

Part of the announced acreage lies in areas with distinct environmental challenges. This applies to the blocks 32/1, 2, 4, 5 and 7, 35/1, 2 and 3, 36/10, 6305/8, 9, 10 and 11, 6508/2, 3, 4, 5 and 6, 6608/12, 6609/5, 6, 8, 9, 10, 11 and 12 and 6610/7 and 10 because these blocks are located near to or in the coastal current. In connection with possible production in these blocks, special consideration to avoid potential environmental damage shall be taken. In connection with a possible Plan for Development and Operation for new stand-alone developments in this area, special conditions may be put in place with regard to the protection of the marine environment.

Requirements relating to contingency plans in the event of accidental oil spills will be stipulated in accordance with the Pollution Control Act (Forurensningsloven) and the Regulations relating to this act and the HSE-legislation and regulations when specific plans for drilling activities exist. Approval for drilling is, among other factors, subject to contingency plans. In determining the extent of these requirements distance to the shoreline, distance to environmentally sensitive areas and effects on other commercial interests will, among other aspects, be taken into consideration. In support of prevailing regulations there shall in the areas nearest to the coast be carried out more comprehensive preparedness measures in case of possible exploration and production. This applies to blocks 32/1, 2, 4, 5 and 7 and 36/10. In connection with possible developments in these blocks, emphasis will be put on preventive measures against unintentional discharges.

The operator shall, by means of risk analysis, cf. Regulations relating to management in the petroleum activities of 3 September 2001, identify the environmental considerations which the licensees deem to be critical to their preparation of an oil spill contingency plan, cf. Regulations relating to execution of activities in the petroleum activities of 3 September 2001, and for planning the measures employed in order to reduce the risk of such pollution. The analysis of environmental risks shall also include an evaluation of the effects of operational discharges during exploration drilling.

In parts of the predefined area there is, in certain periods of the year, extensive fishing for sandeels, see map at www.npd.no/apa2008. This applies to the blocks: 2/2, 3 and 6, 3/1, 2, 3, 4 and 5, 4/1, 2 and 3, 5/1, 7/2, 3, 6 and 9, 8/1, 2, 3, 4, 5, 6, 7, and 9, 9/1, 2, 4, 5, 7, 8, 9, 11 and 12, 10/7, 8, 10, 11 and 12, 16/11 and 12 and 30/5, 6, 8, 9, 11 and 12. In the event that some of these blocks are awarded, drilling restrictions will be introduced during the time that the fishing for sandeels takes place from 1st of April until 30th of June. Exploration drilling on and in a zone surrounding these sandeels-fields must be undertaken without discharges of drill cuttings, including the drilling of the top hole section, to ensure that the quality of the sandeels-fields does not suffer damage from drilling activities. In case of future developments of resources in this area, the licensees shall use development solutions that minimise the negative effects for the fishing of sandeels and that alter the seabed of the sandeels-fields to the least extent possible. In connection with the approval process for Plans for Development and Operation in this area, the authorities will attach special importance to proper fulfilment of this condition.

Among the announced blocks in the North Sea there are some blocks which are rich fishery areas. These are blocks 26/10 and 11, 17/1, 2, 5, 6, 8, 10 and 11 and 8/1, 2, 4 and 5. In connection with awards in these blocks separate conditions regarding fisherries can be set.

There are extensive fishery activities in the blocks 31/10 and 11 and 26/1, 2, 4, 5, 7 and 8 so that permission to drill more than one exploration well at a time will not be granted. Subject to a specific evaluation of the fishery activities, permission for one additional exploration well may be granted.

In the blocks 33/2 and 3 and 34/1 and 2 there is extensive industrial trawling in certain periods of the year. In these areas exploration drilling will not be allowed between 1 October and 31 March.

The blocks 6305/8, 9, 10 and 11 are situated in important spawning grounds for herring and other species of fish. There is also an extensive fishing activity in the area in certain periods of the year. In this area neither seismic surveys nor exploration drilling in oil-bearing formations are permitted between 15 October and 15 June. Outside this period, prior to commencement of drilling in oil-bearing formations, contact with the Directorate of Fisheries (Fiskeridirktoratet) should be established.

A maximum of two exploration wells will be permitted to be drilled simultaneously in the blocks 6305/9 and 11.

In case of future developments of petroleum resources in the blocks 6305/9 and 11, 6508/5 and 6 and 6607/11, emphasis should be put on using development solutions which minimise the negative operational effects for the fisheries.

The blocks 6506/6, 6507/1 and 4 and 6508/3, 4, 5 and 6 are situated in the transport area for fish eggs and fish larvae. In this area seismic surveys are not permitted between 1st of March until 1st of July. Exploration drilling in oil-bearing formations is not permitted between 15th of February until 1st of July for the blocks mentioned.

The blocks 6609/8, 9, 10, 11 and 12 and 6610/7 and 10 represents special challenges with regard to spawning grounds, the fisheries in the Vestfjord and Lofoten, the winter migration of the herring and the seabird colonies on Røst. In these blocks exploration drilling in oil-bearing formations is not permitted between 15 February and 15 August. Seismic surveys are not permitted between 1 September and 1 April for the blocks mentioned.

Pursuant to the Report to the Storting no. 38 (2001–2002), it is expected that the industry will continue to contribute to the biological monitoring of living marine resources in order to survey possible effects of the petroleum activity.

The Government sees a continued need to improve the knowledge of occurrence of seabirds in areas that can be affected by discharges from petroleum activities. It is expected that the industry will contribute to the monitoring for seabirds in the North Sea and Norwegian Sea in connection with the environmental impact assessment following possible plans for development and operation for new stand-alone developments in this area.

With regard to the blocks announced in the Barents Sea, the conditions described in the Report No. 8 to the Storting (2005–2006) «Integrated Management of the Marine Environment of the Barents Sea and the Sea Areas off the Lofoten Islands» shall apply. This implies that:

- the operations shall be based on injection or other technologies, if applicable, that prevents discharge of produced water. In the event of operational non-conformities, a maximum of five per cent of the produced water may be discharged on the condition that it is treated before it is discharged. Exact treatment requirements will be given by the concessionary Authorities with regard to actual activities;
- drill cuttings and drilling fluid are re-injected or brought to land for deposition. Drill cuttings and drilling fluid from drilling of the top hole section may normally be discharged. The condition is that the discharge does not contain components with unacceptable environmental properties. This applies only to areas where the potential for damage to vulnerable environmental components is considered to be low. Such considerations shall be based on thorough mapping of vulnerable environmental components (spawning grounds, coral reefs and other vulnerable sea bed fauna). Such discharges will be subject to application and permission from the concessionary Authorities;
- no exploration drilling will be permitted in oil-bearing formations in the zone 50-65 km from the baseline in the period 1 March - 31 August;
- no exploration drilling will be permitted in oil-bearing formations on Tromsøflaket outside 65 km from the baseline in the period 1 March - 31 August;

Planning of drilling activities and seismic surveys in the Barents Sea is expected to take place in consultation with the Fishery Authorities in order to reduce operational inconveniences for the fisheries. Seismic activities must not disturb important spawning grounds for fish in this area.

With regards to possible developments in the predefined area in the Barents Sea, special emphasis will be put on preventive measures against unintentional discharges.

There is an ongoing work to establish lanes for ships and to strengthen safety at sea in parts of Norwegian waters. This work may influence petroleum activities in parts of the APA-area.

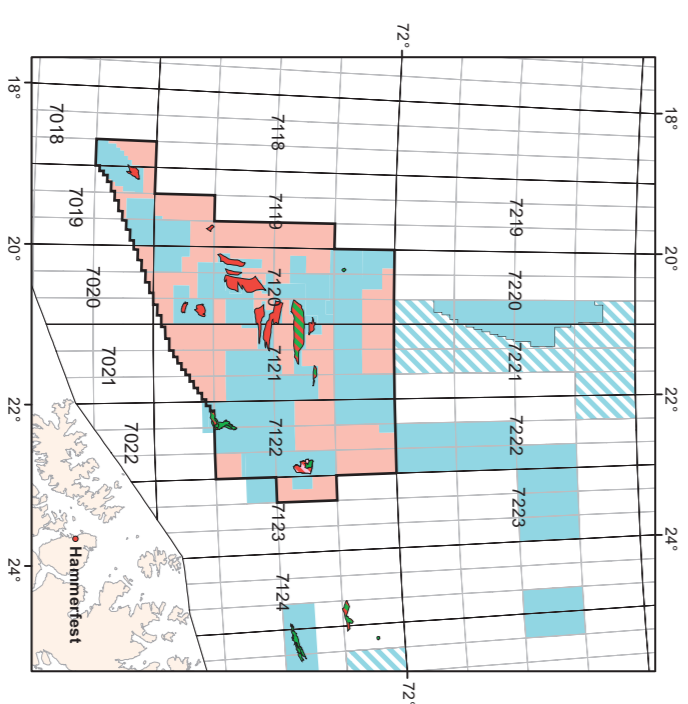
Awards in Predefined Areas

2008

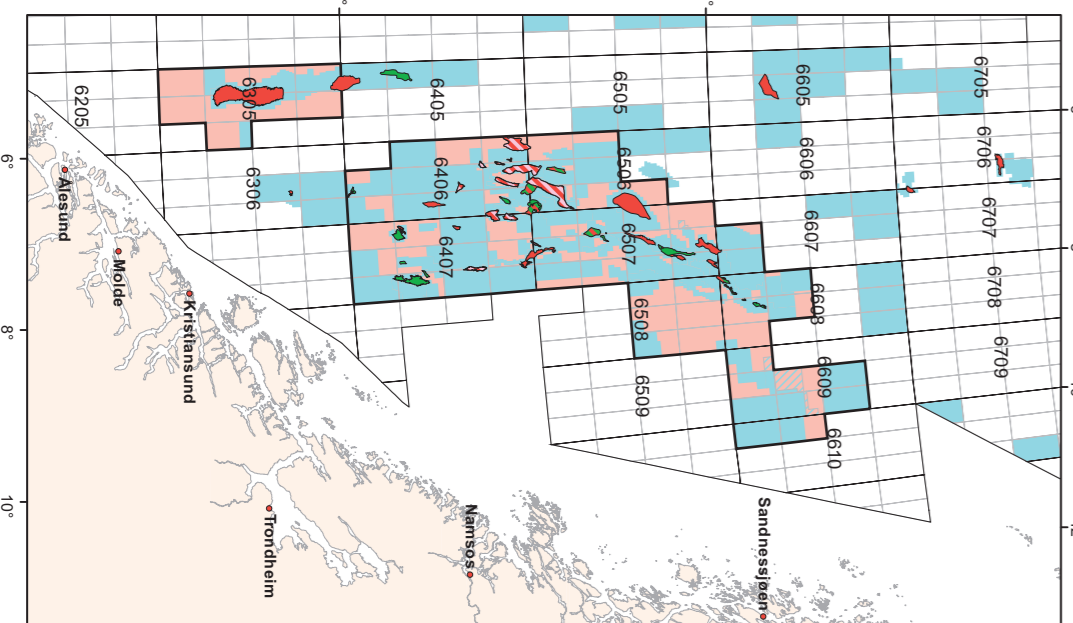
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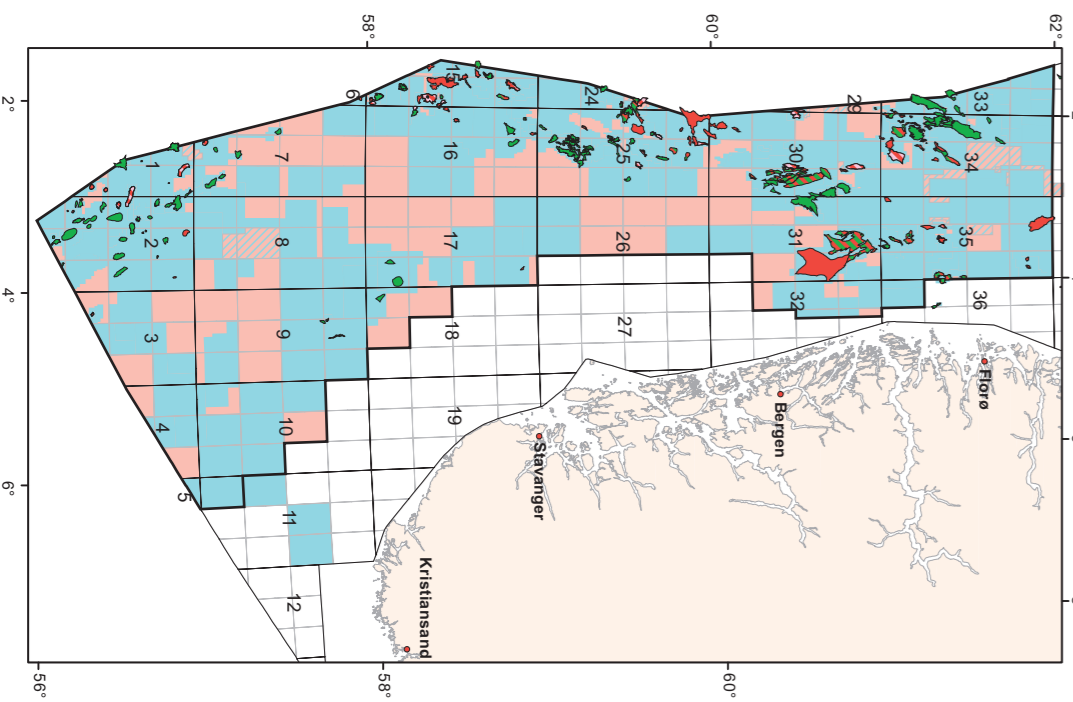
Barents Sea



Norwegian Sea



North Sea



- | | | | |
|--|----------------------------------|--|----------------|
| | Predefined area | | Oil |
| | Announced blocks | | Gas |
| | Announced blocks - stratigraphic | | Oil w/gas |
| | Licensed acreage | | Gas/condensate |
| | Seismic area | | |

The maps show licensed acreage and announced blocks as of the 8th of May 2008. These areas can change during the application period. The NPD's interactive Factmaps (NPD's homepage) contain daily updated information showing the current area available for application.



Terje Riis Johansen
Photo: Torbjørn Tandberg

Good resource management is important in order to produce the resources in mature areas before the existing infrastructure shuts down. The mature areas represent significant economic potential and are central in the Government's ambition to increase the rate of recovery on the Norwegian Continental Shelf (NCS). The purpose of the Awards in Predefined Areas (APA) is to stimulate to increased exploration activities and efficient utilization of the natural resources. APA is of significant importance as it has increased the predictability and created the basis for a larger number of companies on the Norwegian Continental Shelf. The Norwegian Government has ensured that particular care and caution will be taken with respect to environmental and fishery interests. Environmental and fishery conditions for the blocks in predefined areas are strengthened in some areas.

In APA 2008 four blocks in the Barents Sea, three in the Norwegian Sea and eleven in the North Sea have been added to the predefined area compared to APA 2007. The area announced in APA 2008 consists mainly of relinquished blocks where petroleum activities earlier have been taken place.

The deadline for submission of applications is 12.00 am on 3. October 2008. Awards of new production licenses are planned to take place late 2008 / early 2009.

Invitation to apply for petroleum production licence

1 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).

2 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. The Joint Stock Company shall have a minimum equity share capital of NOK 1 million or an amount equivalent to this in the currency of the country of registration.

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, determine the composition of the licence groups and appoint the operator for such groups.

3 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 in this pamphlet. It is also possible to apply for acreage that is relinquished within the predefined area before the submission deadline. Updated maps (Norwegian Petroleum Directorate's (NPD) interactive Factmaps) that show the available area are found on the NPD's web-page.

A production licence may comprise one or more blocks or part of block(s).

4 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 stratigraphically divided, the licensees will also be required to enter into a Joint Operating Agreement between stratigraphically 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 will be identical to their participating interest in the production licence.

The licence documents will mainly be based on relevant documents from the Awards in Predefined Areas 2007. The aim is to make the main elements of any adjustments to the framework available to the industry prior to the time of application.

b) The conditions relating to environmental concerns and fishery interests are stated in detail on the back of this pamphlet. Specific conditions are attached to certain blocks.

c) The Ministry may designate specific bases to be used by the licensees.

5 Negotiation issues

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

a) The content, extent and time schedule for the work obligation(s).

b) The duration of the initial period of the production licence, and the duration of the licence period after expiry of the initial period.

c) The extent of, and time schedule for, relinquishment of acreage.

d) The area of the production licence.

Decision on the length of the initial period, cf. the Petroleum Act Section 3-9, will in the Awards in Predefined Areas 2008 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 should 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 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. In such case, the licensee shall, within a given time frame, decide whether he wants to submit a plan for development. If one or more licensees decide not to submit a plan for development, the interest(s) concerned must be taken over by the other licensee(s) or by a third party. Otherwise, the production licence will lapse. The licensees deciding to prepare a plan for development will be given an additional time period within the initial period to complete and submit the development plan for approval. If a plan for development is not submitted, the production licence will lapse.

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.

6 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 relevant technical expertise of the applicant, including expertise related to development work, research, safety and the environment, and how this expertise may actively contribute to cost effective exploration and, as appropriate, the production of petroleum from the geographical area in question.

b) 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.

c) The applicant's geological understanding of the geographical area in question, and how the licensees propose to perform efficient exploration for petroleum.

d) The applicant's experience on the Norwegian Continental Shelf or equivalent relevant experience from other areas.

e) Experience regarding the applicant's activities.

f) Where applicants apply as part of a group, the composition of the group, the operator recommended and the collective competence of the group will be taken into account.

g) 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.

h) Production licences will mainly be awarded to two or more participating interests, where at least one has experience as mentioned under g)

i) 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.

7 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)

8 Application

The application shall, regardless of whether the application is submitted by an individual applicant or by applicants applying as part of a group, include the following information, and in the following order:

a) Name, address and nationality of the applicant(s), including the name of the person who will serve as liaison in Norway to the Norwegian authorities.

b) The block(s) applied for. The application shall refer to block numbers.

If the applicant(s) applies for more than one production licence, a priority shall be assigned. Applicants applying as part of a group shall in addition submit their priority list separately. The applicant shall state the ideal size of the participating interest that the applicant wishes to be awarded in the individual licence, and also the lower and upper boundaries of the participating interest that may be of interest. The applicant(s) shall also state whether he/the group applies for operatorship in any of the production licences.

c) The applicant(s) shall state the following recommendations:

- the extent, content and time schedule for the work obligation he/ the group proposes to undertake to ensure rapid and efficient exploration of 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 extent and time schedule for relinquishment of acreage.

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

d) The applicant(s) shall give a geological evaluation of the block(s) applied for.

e) The applicant(s) shall give a description of the anticipated reservoir and development solutions for the block(s) applied for.

f) The applicant(s) shall give a summary of the application.

g) The applicant(s) shall give information on company related matters.

All companies applying for production licences in APA 2008 shall provide information on company related matters. The companies shall e.g. focus on major changes in the ownership structure and/or financial aspects and organisational changes for their activities in Norway which are relevant for evaluation of the application.

h) Where the principal place of business of the applicant or his ultimate parent company is outside Norway, the applicant shall state whether a Norwegian company, in principle, is entitled to obtain a similar licence in the country in which the applicant or his ultimate parent company have their principal place of business.

In cases where the applicant applies as part of a group, and for reasons of confidentiality does not wish to submit a joint set of documentation for the items e), and g), such documentation may be submitted individually.

Guidelines for the preparation of an application for a production licence, forms and block coordinates for the blocks announced may be found at the NPD's Internet web-page at the following address:

<http://www.npd.no/tfo2008> (Norwegian version),

or

<http://www.npd.no/apa2008> (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.

9 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 100.000 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 Awards in Predefined Areas 2008. A copy of the receipt for said payment shall be attached to the application.

10 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.

11 An application for a production licence may be received by:

The Royal Ministry of Petroleum and Energy
P.O. Box 8148 Dep.
0033 OSLO
NORWAY

before 12.00 a.m. on 3 October 2008. All applications submitted before this date and time shall be considered as received simultaneously.

One copy of the application shall be submitted to the Ministry. Two identical copies of the application shall within the same date and time as above be submitted to:

The Norwegian Petroleum Directorate
P.O. Box 600
4001 STAVANGER
NORWAY

The application, including enclosures, may be written in Norwegian or in English.

12 The award of production licences in the Awards in Predefined Areas 2008 on the Norwegian Continental Shelf is planned to take place end of 2008 / early 2009.