

Awards in Predefined Areas



Swamp forest from the Late Carboniferous

Norwegian Continental Shelf 2004



Conditions relating to environmental concerns and fishery interests

Conditions relating to environmental concerns and fishery interests

Conditions for the award (cf. item 4a in the announcement)

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 that can be affected in the awarded blocks, and ensure that these possible coral reefs are not damaged by the petroleum activity.

In due time and prior to the commencement of drilling, the operator shall, on behalf of the licensees, consult the Norwegian Pollution Control Authority (Statens Forurensningstilsyn) to clarify the need for a discharge permit.

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 36/10, 32/1, 2, 4 and 5, 6508/2 and 6608/12 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 when specific plans for drilling activities exist. Approval for drilling is, among other factors, subject to the 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 the blocks 36/10, 32/1, 2, 4 and 5. 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. This applies to the blocks; 2/3 and 6, 3/1, 2, 3, 4 and 5, 4/1 and 2, 7/2, 3, 6 and 9, 8/7, 8 and 9, and 16/12. A maximum of two exploration wells will be permitted to be drilled simultaneously in production licences awarded in these blocks, and in blocks in other areas in which the Authorities have pointed out that there is extensive fishing for sandeels. At the time of awarding production licences in this area additional drilling restrictions for certain periods of the year could be introduced. In case of future developments of resources in this area, the licensees shall consider development solutions that are minimising the negative effects for the fishing of sandeels.

Among the announced blocks in the North Sea there are some blocks that have not earlier been licensed, and which are rich fishery areas. These are blocks 26/10 and 11, and 17/1, 2, 5 and 6. In connection with awards in these blocks separate conditions regarding fisheries 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 concrete evaluation of the fishery activities permission may be granted for one additional exploration well.

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

The Government also sees a need to improve the knowledge of occurrence of seabirds in areas that can be affected by discharges from petroleum activities. The Ministry of Petroleum and Energy will ask the licensees to present a monitoring program for seabirds in the 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 "Environmental Impact Assessment study of all-year petroleum activities in the area Lofoten - Barents Sea" 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 reinjected 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 are 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.

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.

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



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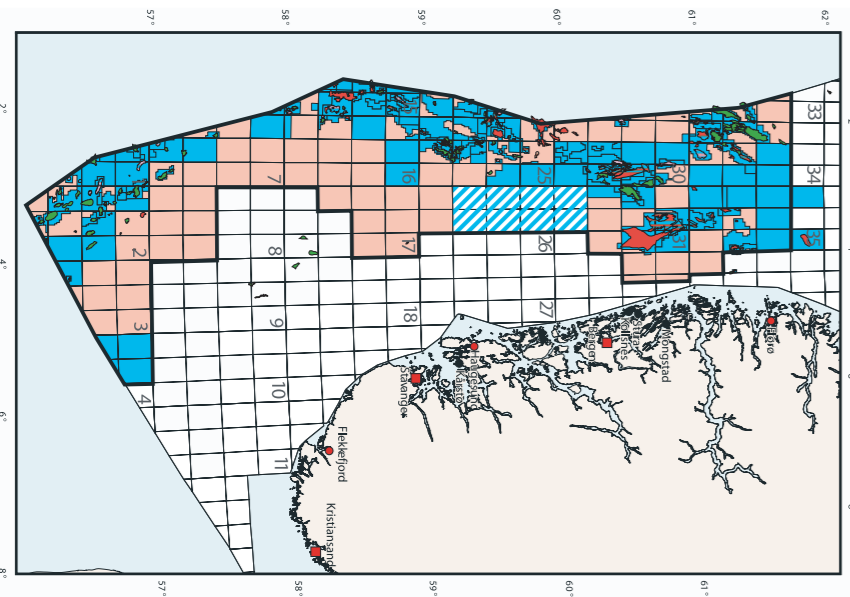
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Awards in Predefined areas

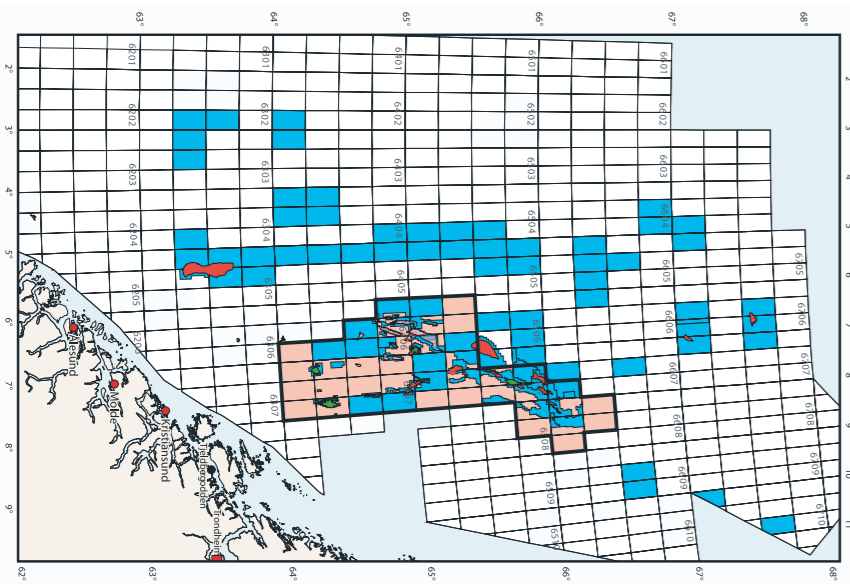
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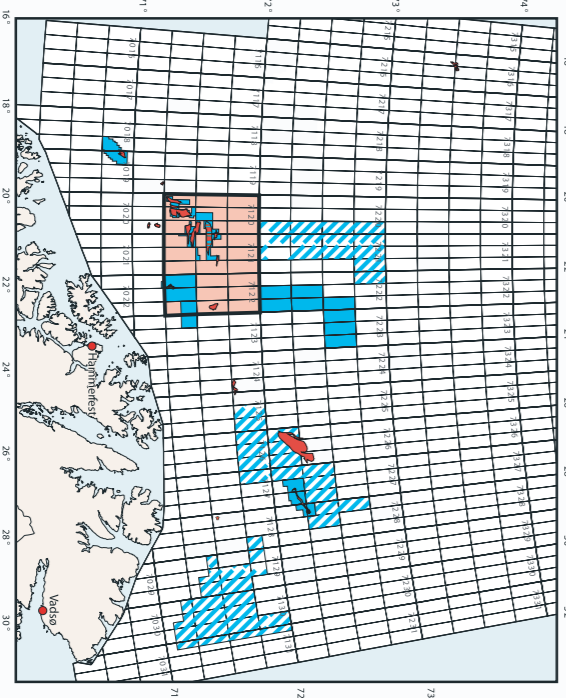
North Sea



Norwegian Sea



Barents Sea



- Licensed acreage
- Announced blocks
- Seismic area
- Predefined area

The maps show licensed acreage and announced blocks as of the 29th of January. These areas can change through the application period. The NPD's interactive Factmaps (NPD's homepages) contain daily updated information showing the current area available for application.



Invitation to apply for petroleum production licence

(Unofficial translation)

- The interest shown for APA 2003 demonstrated that the changes introduced by the Government in the licensing system in mature areas were successful. The system of awards in predefined areas will continue in 2004 and has been developed further. Compared to APA 2003 the areas announced in the North Sea and Norwegian Sea have been somewhat expanded, and areas close to the Snøhvit field in the Barents Sea have been included.

Einar Steensnæs

Einar Steensnæs
Olje- og energiminister

Licensing policy in mature areas was changed by the Government in 2003 through the introduction of Awards in Predefined Areas (APA). The system ensures that very large areas close to existing and planned infrastructure will be available for the industry to apply for in the future.

Compared to the announced area in APA 2003 the area announced in the North Sea and Norwegian Sea is somewhat expanded. The biggest change in APA 2004 compared to APA 2003 is the inclusion of blocks in the Barents Sea. In December 2003 the Government completed its evaluation of the "Environmental Impact Assessment study of all-year petroleum activity in the area Lofoten and Barents Sea" (ULB). The Government decided to allow for further all-year petroleum activities in the previously opened areas in the Barents Sea south, except for certain especially valuable areas. The Government concluded that it is important to tie in additional gas resources to the Snøhvit field to improve the economics of the project. In line with the Government's decision an area close to Snøhvit is included in the predefined area for 2004.

The conditions relating to environmental concerns and fishery interests in the Barents Sea are based on the condition in the ULB, which is no discharge to the sea under normal operations. This is a stricter condition compared to what applies for the other parts of the shelf, where the requirement is zero discharges of environmentally harmful components to the sea.

Strict environmental conditions also apply to the other announced areas. Particular conditions may be applied to protect the marine environment, to minimize the risk of unintentional discharges in areas close to the coastline and to ensure that drilling activities take due consideration of the fishery activities. The conditions will be tailored to the challenges of the individual blocks.

The work obligations in awarded licences in APA 2004 and future APA rounds will be made public. Disclosure of the work obligations will contribute to increased transparency and predictability for the companies, by letting them gain better knowledge of the content and extent of work obligations required in awarded licences in mature areas.

Acreage within the predefined area which is relinquished in the period from announcement to the submission deadline shall be included in the announced area. Consequently, all acreage relinquished within the predefined area will automatically be considered as announced at the time of relinquishment. Companies with a different view of the prospectivity of the area in question will thus quickly have the opportunity to explore the area. This will lead to increased turnover of acreage and more efficient exploration of the mature areas.

The deadline for submission of applications is 12.00 a.m. on the 1st of October 2004. The award of production licences is planned to take place in December 2004.

(The picture on the front page shows swamp forests that covered much of northwest Europe during the Late Carboniferous, 318-299 million years ago. Illustration/Source: Robert W. Williams, NPD)

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 apply for licences if they are prequalified as licensees.

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 (NPD's interactive Factmaps) that show the available area are found on the NPD's web-page.

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

4 Conditions for the award

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

b) The Ministry may designate specific bases to be used by the licensee.

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

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 2003. The aim is to make the main elements of any adjustments to the framework available to the industry prior to the time of application.

5 Negotiation issues

The Ministry reserves its right to negotiate terms with the applicant 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.

Decision on the length of the initial period, cf. the Petroleum Act Section 3-9, will in the Awards in Predefined Areas 2004 be made on the basis of block specific conditions.

The work obligations in the production licences will as a main rule include requirements of a progress plan 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 progress plan, the production licence should be relinquished or it will lapse.

The work obligations may be formulated so that the licence group initially is 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. A decision on drilling is taken in accordance with the Joint Operating Agreement article 2.2 first paragraph. If no decision on drilling is made, the production licence will lapse.

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 comprised by 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.

7 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 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 may submit their priority list separately. The size of the participating interest applied for in each production licence shall be stated. 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 a view to 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.

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 information which has previously been submitted to the Ministry covers the relevant status concerning company related matters, as laid out in item g), only relevant additional information will be required. In such cases, a reference to the document(s) previously submitted shall be given.

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 Norwegian Petroleum Directorate's Internet web-page at the following address:

http://www.npd.no/English/Emner/Ressursforvaltning/Undersokelse_og_leting/tfo2004 (English version), or

http://www.npd.no/English/Emner/Ressursforvaltning/Undersokelse_og_leting/tfo2004 (English version).

The Ministry may require additional information.

Business information contained in the application and the enclosures will be kept confidential by the Ministry and the Norwegian Petroleum Directorate, regardless of the time limit stipulated in the Petroleum Regulations, Section 73.

9 For handling of an application for a production licence, a fee is due upon submission of the application. The fee is NOK 60.000, cf. the Petroleum Regulations, Section 9. The fee is fixed and not dependent on the number of areas or production licences included in the application. In the cases where several companies apply as a group, this counts as one application. If a company hands in one application individually and one as a part of a group, the company in question will have to pay 60.000 NOK for its own application and its share of the 60.000 NOK for the group 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 2004. A copy of the receipt for said payment shall be attached to the application.

10 The King in Council shall not be 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 1 October 2004. 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 copies of the application shall 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 2004 on the Norwegian Continental Shelf is planned to take place in December 2004.