



Det Kongelige Olje- og Energidepartement

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OMV Exploration & Production

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Your ref. 08/03391-1, dated 17.11.2008

Subject: Hearing on system with Awards in Predefined Areas (APA)

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Dear Sir / Madam,

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OMV (Norge) AS is pleased to get this opportunity to give the Ministry feedback on the system of yearly APA awards. OMV, since establishing itself in Norway, has participated in the APA rounds in 2006, 2007 and 2008 and these have enabled us to begin building a portfolio of licenses on the Norwegian Continental Shelf. We would however like to make the following points on the current APA system:

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Areal extent

The APA areas are covering mature areas in the North Sea, the Norwegian Sea and the Barents Sea. We are pleased that the areas are predefined and that they can only be enlarged from year to year. Previous years work and experience can be utilized in the forthcoming round and the regional geological work can be planned accordingly.

The APA system was first introduced in 2003 and after six years the predefined areas have been studied in considerable detail. It is important to enlarge the APA area with time to bring new acreage for evaluation. In recent years, discoveries on the NCS have been generally small and stand alone developments are, in most cases, uneconomic. Tie-in to existing installations is the most likely development scenario and technological advancement in subsea well stream tie-ins, are continually increasing the distances that these can extend to. The enlargement of the APA area should reflect these technical advances in subsea tie-back distances.

The fact that the areas are predefined should also be seen to be an advantage for fishery organizations and other concerned parties, in a similar way to the oil industry. Areas where oil field operations are most likely to be carried out are effectively defined allowing operations of other 'users-of-the sea' to be planned to minimize interference from the oil industry.

Release of licensed acreage with little or no activity

OMV would encourage the Ministry to release 'fallow acreage' that is held by operators where no activity, such as seismic acquisition and exploration drilling, has recently been carried out.

It is in the authorities and most companies' interest to have a short turnaround of acreage and bring this acreage into the APA system, where it will be re-evaluated and, from experience, most likely re-licensed.

Application guidelines

OMV appreciates the comprehensive guidelines for an application in the APA rounds as published on the NPD homepage. The guidelines facilitate the drafting of the application, allowing companies to prioritize and document the important issues required by the authorities. During the recent 2008 round, a number of inconsistencies were recognized and clarifications were required by OMV, and presumably other companies. We would recommend that these are addressed and incorporated into the guidelines for the next round. (OMV is preparing to address some of these at the feedback meeting to be held with NPD following the award of a license in APA 2008.)

Timing

The announcement of the APA each year has varied somewhat from year to year, between January and May. It is important that the schedule of the round is predictable from year to year. OMV would appreciate, if it is possible, to make announcement of the new APA each year preferably by end January / beginning of February. This would facilitate the planning of the work and would also allow maximum time for the geological and technical work. The application deadline of approximately 1 October and award by year end is very good timing for planning the following year's license work and budgets. OMV supports a yearly event.

Relinquished acreage

Licensed acreage that is relinquished after the announcement is not notified in a systematic way. This information has to be sought by reading NPD's fact pages in detail. It is suggested that NPD is establishing a folder under the maps appendix on the homepage, that is regularly updated during the year as relinquishment occur.

Work programme

The work programme is well defined by clear decision points and short periods in between. It is acknowledged that at the time of award the timing may seem reasonable, but we have experienced that during the work programme unforeseen situations occur. An example is the recent year's lack of approved drilling units for certain areas, e.g. the Barents Sea, or delays in drilling activity. It is assumed that the Ministry will grant dispensation for companies with clear commitments, but waiting for e.g. a drilling unit delayed by other operators.

The current system of work commitment, when seismic acquisition and geological detailed studies can be performed, leading to drill or drop within a rather short time period, is supported. Turn around of acreage is for the benefit of both the industry and the authorities.

OMV sees the APA system as a good tool for award of concessions in Norway. The most important elements of the APA system are predictability and access to acreage. We hope that the process continues and further develops in the near future.

Yours sincerely

Peter Krois

A handwritten signature in black ink, appearing to read 'Peter Krois'.