



Announcement A

2019

Published 8 May 2019

Parliamentary Act No. 49

From 7 May 2019

Parliamentary Act on the Fifth Licensing Round for exploration and exploitation of hydrocarbons

According to the decision of the Parliament of the Faroe Islands, the Prime Minister hereby confirms and promulgates the following Parliamentary Act:

§ 1. Pursuant to § 7, Clause 2 of the Hydrocarbon Activities Act, this Act stipulates the areas to be offered for licensing and the standard terms and conditions governing the granting of a license in the fifth licensing round for exploration and exploitation of hydrocarbons.

§ 2. The areas to be offered for licensing in the fifth licensing round are the following blocks and partial-blocks of the Faroese continental shelf:

- 1) 6004/1-9, 11-13, 16-17.
- 2) 6005/4-5, 8-25.
- 3) 6006/19-20, 24-25.
- 4) 6103/8-9, 11-13, 16-17, 21, 26.
- 5) 6104/19-20, 22-30.
- 6) 6105/30.

(2) The areas offered for licensing are identified on the map attached as Annex 1.

§ 3. Pursuant to § 6 of the Hydrocarbon Activities Act, the Minister awards the licenses for the exploration and exploitation of hydrocarbons. The standard terms and conditions governing the granting of a license are stipulated in the Model License attached as Annex 2.

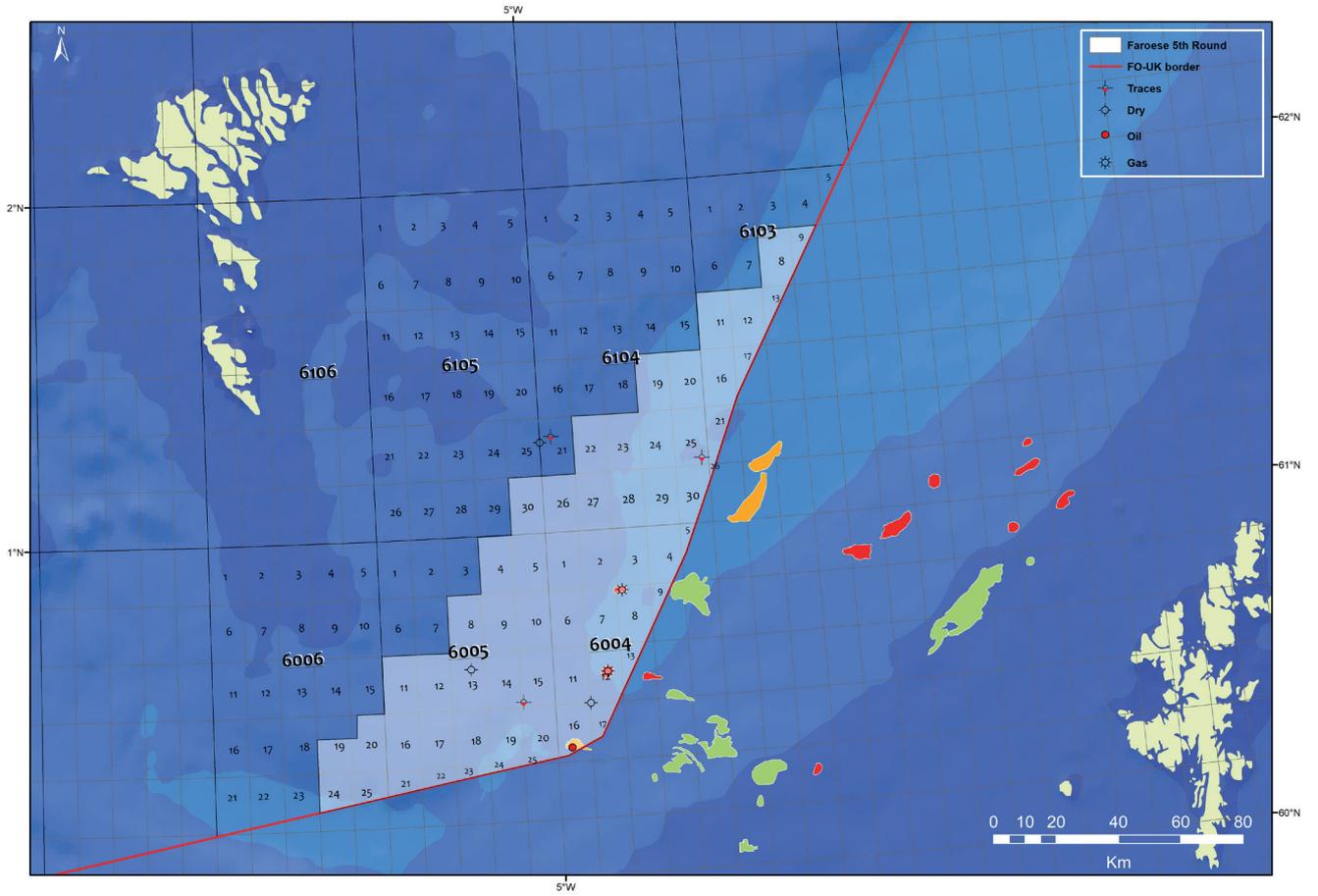
§ 4. This Act shall enter into force the day after it is promulgated.

Í Tinganesi, 7 May 2019

Aksel V. Johannesen
Prime Minister

Lm. No. 124/2018

Fifth Licensing Round Area



MODEL LICENSE FOR THE EXPLORATION AND EXPLOITATION OF HYDROCARBONS

FIFTH LICENSING ROUND

Interpretation, etc.

1.1. In this licence, the following expressions have the following meanings —

“the Hydrocarbon Act” means Parliamentary Act No 31 from 16 March 1998 on Hydrocarbon Activities Act with latest amendments pursuant to Parliamentary Act No 67 from 29 May 2017;

“Block” means an area comprised in this licence which is delineated on the reference map deposited at the office of Jarðfeingi and to which a reference number was assigned at the date of this licence;

“Development Scheme” has the meaning given by clause 27;

“Drill-or-Drop Period” means the period (if any) specified as such in Schedule 2e to this licence;

“Early Surrender Area” means the area (if any) specified as such in Schedule 2e to this licence;

“Early Surrender Period” means the period (if any) specified as such in Schedule 2e to this licence;

“Fragmented Licensed Area” means a Licensed Area consisting in two or more areas any one or more of which is separated from the others;

“Half Year” means the period from 1st January to 30th June in any year and the period from 1st July to 31st December in any year;

“Initial Licensed Area” means the area described in Schedule 2a to this licence on the date it was granted;

“Initial Term” means the period specified as such in Schedule 2e to this licence;

”Jarðfeingi” means the Faroese Geological Survey;

“Licensed Area” means the area for the time being in which the Licensee may exercise the rights granted by this licence;

“the Licensee” means the person or persons to whom this licence is granted, his personal representatives and any person or persons to whom the rights conferred by this licence may lawfully have been assigned;

“Mandatory Surrender Area” means the area specified as such in Schedule 2e to this licence;

“the Minister” means the Minister of Foreign Affairs and Trade;

“Oil Field” has the meaning given in clause 27;

“Petroleum” includes any mineral oil or relative hydrocarbon and natural gas existing in its natural condition in strata but does not include coal or bituminous shales or other stratified deposits from which oil can be extracted;

“Second Term” means the period (if any) specified as such in Schedule 5 to this licence;

“Section” means a part of a Block comprising an area bounded by minute lines of latitude and longitude one minute apart respectively;

“Start Date” means the date specified as such in Schedule 2e this licence;

“Third Term” means the period specified as such in Schedule 2e to this licence;

“Well” includes borehole;

“Work Programme” means the programme set out in Schedule 2c to this licence.

1.2. If the License is granted to a consortium, each member of said consortium shall be jointly and severally liable for any compensation payable pursuant to Article 7 of the Hydrocarbon Activities Act and for any of the obligations held under this License towards the Faroese Government.

Grant of Licence

2. In consideration of the payments hereinafter provided for and the performance and observance by the Licensee of all the terms and conditions hereof, the Minister, in exercise of the powers conferred upon him by the Act, hereby grants to the Licensee exclusive licence and liberty during the continuance of this licence and subject to the provisions hereof to search and bore for, and get, Petroleum in the sea bed and subsoil under the seaward area shown on the enclosed map, with the co-ordinates mentioned in Schedule 2e to this licence.

Term of Licence

3.1. This licence shall commence with the later of—

- a.** the Start Date; and
- b.** the date on which this licence was granted.

3.2. Unless sooner determined under any of its provisions, and provided always that its terms and conditions continue to be performed and observed, this licence shall continue—

- a.** for the Initial Term, subject to number 4 and (where applicable) number 5 and 10;
- b.** for the Second Term, subject to number 6, 7 and 10;
- c.** for the Third Term, subject to number 8 and 10.

3.3. On expiry of the Third Term, this licence shall determine unless extended in accordance with clause 9.

Initial Term

4.1. Where a Drill-or-Drop Period is specified, this licence shall, unless the Minister in his discretion decides otherwise, automatically cease and determine on the expiry of that period in the event of failure by the Licensee before the expiry of that period to —

- a.** take the actions that are described in Part I of the Work Programme; and
- b.** undertake to complete on or before expiry of the Initial Term the work described in Part II of the Work Programme.

4.2. Where a Promote Period is specified, this licence shall, unless the Minister in his discretion decides otherwise, automatically cease and determine on the expiry of that period in the event of failure by the Licensee before the expiry of that period to —

- a.** take the actions that are described in Part I of the Work Programme;
- b.** undertake to complete, before the expiry of the Initial Term, the work described in Part II of the Work Programme; and
- c.** demonstrate to the satisfaction of the Minister —
 - i.** the financial capacity of the Licensee to meet the obligations undertaken under sub-paragraph 4.2.b above in addition to all of the obligations imposed by this licence; and
 - ii.** the competence of the relevant persons to organise and supervise any of the operations of searching or boring for Petroleum.

4.3. The relevant persons referred to in paragraph 4.c.ii are —

- a.** any person nominated by the Licensee for approval under clause 24 of this licence; or
- b.** the Licensee, where the Licensee is one person and he has not nominated anybody for such approval.

4.4. Decisions by the Minister according to 4.2.c are final within the administrative system and can not be appealed to another administrative authority.

Surrender during Initial Term (“Frontier” licences)

5.1. This number 5 shall apply where an Early Surrender Area and an Early Surrender Period are specified.

5.2. No later than one month before the expiry of the Early Surrender Period, the Licensee shall give notice in writing to the Minister indicating

- a.** that he will determine this licence in relation to a part of the Licensed Area which, when taken together with any one or more areas previously surrendered in accordance with clause 10, is no less than the Early Surrender Area; and
- b.** the date no later than the expiry of the Early Surrender Period on which the surrender of that part of the Licensed Area shall take effect.

5.3. If the Licensee fails to comply with his obligations under number 5.2, and unless the Minister directs otherwise, this licence shall expire at the end of the Early Surrender Period.

Option to continue licence into a Second Term

6.1. At any time not later than one month before the expiry of the Initial Term, the Licensee may give notice to the Minister in the manner hereinafter provided that he desires this licence to continue in force in relation to part of the Licensed Area (“the Continuing Part”. This is conditioned on the following terms:

- a.** to payment of the sums specified in Schedule 2b and to performance of the terms and conditions contained in this licence including, without limitation, those conditions set out in paragraph 6.3; and
- b.** upon due performance by the Licensee of the Work Programme before the expiry of the Initial Term,

- 6.2.** Where the Licensee gives notice to the Minister in accordance with paragraph 6.1., such notice must indicate that he will determine this licence in relation to such part of the Licensed Area as shall be described by the Licensee in the notice according to the conditions in number 6.3. This part shall thereafter be called “the Surrendered Part”.
- 6.3.** Subject to number 6.1.a., the Surrendered Part must consist in an area which, when taken together with any one or more areas previously surrendered, is no less than the Mandatory Surrender Area.
- 6.4.** The Licensee shall not be obliged to surrender so much of the Licensed Area that following such surrender the Licensed Area comprises less than thirty Sections.
- 6.5.** Any notice served in accordance with number 6.1 shall specify a date not later than the expiry of the Initial Term on which the Surrendered Part is to be surrendered.
- 6.6.** This licence shall upon the option conferred by this clause being duly exercised but subject to the provisions of number 3 of this licence continue in respect of the Continuing Part for the Second Term.

Extension of the Initial or Second Term

- 7.1.** This number enables an extension to be made to the Initial Term or as the case may be to the Second Term (“the relevant term”).
- 7.2.** At any time not later than three months before the expiry of the relevant term, the Licensee may, subject to payment of the sums specified in Schedule 2b and to performance of the terms and conditions contained in number 2b, give notice in writing to the Minister that he desires that term to be extended for a further period.
- 7.3.** Where notice is given in pursuance of nr. 7.1, the Minister may in his discretion direct that the relevant term be extended and number 7.2 shall apply to that term as so extended.
- 7.4.** An extension given by a direction in pursuance of this clause shall be for a period, and subject to more specific conditions.
- 7.5.** Where a relevant term is extended in pursuance of this clause, number 3 shall apply in respect of that term as so extended.
- 7.6.** Where the Initial Term is extended by a period in pursuance of this clause, the Second Term shall, see however number 7.2. be reduced by the same amount of time; and where the Second Term is extended by a period in pursuance of this clause, the Third Term shall be reduced by the same amount of time.

Option to continue the Licence into a Third Term

- 8.1.** At any time not later than three months before the expiry of the Second Term, the Licensee may, subject to payment of those sums specified in 2b and to performance of the terms and conditions contained in schedule 2b, give notice in writing to the Minister that he desires this licence to continue as to a part of the Licensed Area, hereinafter called “the Producing Part”.
- 8.2.** A notice according to number 8.1. shall describe the Producing Part, which in its entirety shall be comprised by a consent or programme described in number 8.3.
- 8.3.** If such notice is given this licence shall continue in force after the expiry of the Second Term, provided that the Minister before such expiry
- a.** has given a consent in pursuance of number 17.1 of this licence and such consent is still in force upon expiry of the Second Term; or
 - b.** has in pursuance of number 17.4 of this licence approved a programme submitted to him in pursuance of number 17.2 of this licence and such approval is still in force upon expiry of the Second Term; or
 - c.** according to number 17.6 has given notice to the Licensee of a programme and such programme is still in force upon expiry of the Second Term.
- 8.4.** Where this licence continues in force by virtue of this clause it shall, subject to the provisions of number 3, so continue during the Third Term.

Power further to extend term of Licence

- 9.** Where this Licence is continued in force by virtue of number 8 of this Licence to the end of the Third Term, the Minister, on application being made to him in writing not later than three months before the expiry of such period, may in his discretion agree with the Licensee that this Licence shall continue in force thereafter for such further period as the Minister and the Licensee may agree and subject to such modification of the terms and conditions of this licence (which modification may include making provision for any further extension of the term of this licence) as the Minister and the Licensee may then agree.

Right of Licensee to determine Licence or surrender part of Licensed Area

10. Without prejudice to any obligation or liability imposed by or incurred under the terms hereof the Licensee may at any time by giving to the Minister not less than one month's notice in writing to that effect determine this licence or surrender any part of the Licensed Area being a part which complies with clause 11 hereof.

Areas surrendered

11.1. Any area surrendered by the Licensee pursuant to number 5, 6 or 10 of this licence and any area accordingly retained by him shall, unless the Minister has otherwise agreed in writing before the date on which the appropriate notice is given by the Licensee to the Minister

- a. be bounded by minute lines of latitude extending not less than two minutes of longitude and minute lines of longitude extending not less than two minutes of latitude;
- b. consist of not less than thirty Sections; and
- c. subject always to number 11.2 have boundaries which, whether they run north and south or east and west, either coincide with the corresponding boundaries of the Block or are not less than two Sections distant from those boundaries.

11.2. The surrender by the Licensee of any area pursuant to number 5, 6 or 10 of this licence shall not, unless the Minister has otherwise agreed in writing before the date on which the appropriate notice is given by the Licensee to the Minister, result in the creation of a Fragmented Licensed Area.

11.3. Upon the date on which any determination of this licence or any surrender of part of the Licensed Area in the manner provided for by any clause of this licence is to take effect, the rights granted by this licence shall cease in respect of the Licensed Area or of the part so surrendered as the case may be but without prejudice to any obligation or liability imposed upon the Licensee or incurred by him under the terms of this licence prior to that date.

Payment of consideration for Licence

12.1. The Licensee shall make to the Minister as consideration for the grant of this Licence payments in accordance with Schedule 2b to this Licence.

12.2. The Licensee shall not by reason of determination of this Licence or surrender of any part of the Licensed Area be entitled to be repaid or allowed any sum payable to the Minister pursuant to this licence before the date of determination or surrender.

Provision of contact details to Minister

13.1. Notices and documents, required to be given to the Licensee by virtue of this licence, are treated as given to the Licensee if it is given to the person specified by the Licensee under number 13.2 and to address so specified.

13.2. The Licensee must supply the Minister with the name and address of a person to whom notices and documents are to be given.

13.3. The Licensee shall as soon as possible give notice to the Minister from changes with regard to the person to whom, or the address to which, information should be sent.

13.4. If the Licensee fails to comply with the conditions in number 13.2 above, the Minister may give the Licensee a notice which

- a. requires the Licensee to comply with number 13.2 omanfyri within a period of 30 days beginning with the date of the notice; and
- b. states that, if the Licensee fails to do so, the Licensee will be treated as having supplied to the Minister a notice of the name and address specified by the Minister in the notice.

Measurement of Petroleum obtained from the Licensed Area

14.1. The Licensee shall measure or weigh by a method or methods customarily used in good oilfield practice and from time to time approved by the Minister all Petroleum won and saved from the Licensed Area.

14.2. If and to the extent that the Minister so directs, the duty imposed by (1) of this number shall be discharged separately in relation to Petroleum won and saved—

- a. from each part of the Licensed Area which forms part of such an Oil Field extending beyond the Licensed Area; and
- b. from each Well producing Petroleum from a part of the Licensed Area which is not within such an Oil Field.

14.3. If and to the extent that the Minister so directs, the preceding provisions of this clause shall apply as if the duty to measure or weigh Petroleum included a duty to ascertain its quality or composition or both. Where a

direction under this paragraph is in force, the following provisions of this clause shall have effect as if references to measuring or weighing included references to ascertaining quality or composition.

14.4. The Licensee shall not make any alteration in the method or methods of measuring or weighing used by him or in any appliances used for that purpose without the consent in writing of the Minister and the Minister may in any case require that no alteration shall be made save in the presence of a person authorised by the Minister.

14.5. The Minister may from time to time direct that any weighing or measuring appliance shall be tested or examined in such manner, upon such occasions or at such intervals and by such persons as may be specified by the Minister's direction and the Licensee shall pay to any such person or to the Minister such fees and expenses for test or examination as the Minister may specify.

14.6. If any measuring or weighing appliance shall be found to be provide wrong results, this shall be deemed to have existed since the last occasion upon which the same was tested pursuant to number 14.5.

Keeping of accounts

15.1. The Licensee shall from time to time keep in the Faroe Islands full and correct accounts in a form approved by the Minister of

- a. the quantity of Petroleum in the form of gas won and saved;
- b. the quantity of Petroleum in any other form won and saved;
- c. the name and address of any person to whom any Petroleum has been supplied by the Licensee, the quantity so supplied, the price thereof or other consideration therefore and the place to which the Petroleum was conveyed pursuant to the agreement for such supply; and
- d. such other particulars as the Minister may from time to time direct.

15.2. The quantities of Petroleum stated in such accounts may exclude any water separated from the Petroleum and shall be expressed as volumes in cubic metres measured at, or calculated as if measured at, a temperature of 15° Celsius and a pressure of 1.0132 bar but if the Minister serves notice in writing on the Licensee determining any other manner in which any quantity of Petroleum or any quantity of any form of Petroleum is to be expressed that quantity shall be so expressed.

15.3. Such accounts shall state separately the quantities of petroleum used for the purposes of carrying on drilling and production operations and pumping to field storage, and quantities not so used, and in the case of Petroleum not in the form of gas shall state the specific gravity of the Petroleum and, if Petroleum of different specific gravities has been won and saved, the respective quantities of Petroleum of each specific gravity.

15.4. The Licensee shall within two months after the end of each Half Year in which this licence is in force and within two months after the expiration or determination of this licence deliver to the Minister an abstract in a form from time to time approved by the Minister of the accounts mentioned in number 15.1-15.3 above.

Working obligations

16.1. The Licensee shall before the expiry of the Initial Term carry out the Work Programme.

16.2. If at any time the Minister serves a notice in writing on the Licensee requiring him to submit to the Minister, before a date specified, an appropriate programme for exploring for Petroleum in the Licensed Area during a period so specified, the Licensee shall comply with the notice. For the purposes of this paragraph, an appropriate programme is a programme which any person could reasonably be expected to carry out during the period specified in the notice, and that period must be within the term of this licence. This stipulation is in force if the person

- a. were entitled to exploit the rights granted by this licence; and
- b. had the competence and resources needed to exploit those rights to the best commercial advantage; and
- c. were seeking to exploit those rights to the best commercial advantage.

16.3. If a programme is submitted to the Minister in consequence of a notice served by him in pursuance of number 13.2 above,

- a. the Minister shall not be entitled to revoke this licence on the ground that the programme does not satisfy the requirements, hereinafter "the Relevant Requirements"; but
- b. if the Minister is of the opinion that the programme does not satisfy the Relevant Requirements he may serve a notice in writing on the Licensee stating his opinion and the reasons for it.

16.4. Where notice in respect of a programme is served on the Licensee in pursuance of number 16.3 above, the Licensee shall either

- a. within 28 days beginning with the date of service of the notice refer to arbitration, in the manner provided by number 43 below, the question whether the programme satisfies the Relevant Requirements; or

b. within a reasonable period beginning with the date of service of such notice submit to the Minister a further programme which satisfies the Relevant Requirements,
and where it is determined in consequence of any reference to arbitration in pursuance of number 16.4.a above that the programme in question does not satisfy the Relevant Requirements the Licensee shall submit to the Minister, as soon as possible after the date of the determination, a further programme which satisfies the Relevant Requirements.

16.5. The Licensee shall carry out any programme submitted by him in pursuance of this clause as to which either
a. the Minister serves notice in writing on the Licensee stating that the Minister approves the programme; or
b. it is determined in consequence of any reference to arbitration in the manner provided by clause 43 of this licence that the programme satisfies the Relevant Requirements,

and any programme approved by the Minister in pursuance of this paragraph shall be deemed to satisfy the Relevant Requirements.

16.6. Where, in consequence of any breach or non-observance by the Licensee of any provision of number 16.2, 16.4, or 16.5 above, the Minister has power by virtue of number 41.1 of this licence to revoke this licence, he may if he thinks fit exercise that power in relation to such part only of the Licensed Area. Where the Minister so does, the rights granted by this licence shall cease in respect of the specified part of that area without prejudice to any obligation or liability imposed upon the Licensee or incurred by him under the terms of this licence.

16.7. Where the Licensee has a duty by virtue of this clause to carry out a programme during a part of the term of this licence, the Minister may serve notice in pursuance of number 16.2 above in respect of another part of that term.

Development and production programmes

17.1. The Licensee shall not, except with the consent in writing of the Minister or in accordance with a programme which the Minister has approved or served on the Licensee in pursuance of the following provisions of this clause,

- a.** erect or carry out any Relevant Works, either in the Licensed Area or elsewhere, for the purpose of getting Petroleum from that area or for the purpose of conveying to a place on land Petroleum got from that area; or
- b.** get Petroleum from that area otherwise than in the course of searching for Petroleum or drilling Wells.

17.2. The Licensee shall prepare and submit to the Minister, in such form and by such time and in respect of such period during the term of this licence as the Minister may direct a programme. The programme shall specify

- a.** the Relevant Works which the Licensee proposes to erect or carry out during that period for either of the purposes mentioned in number 17.1.a,
- b.** the proposed locations of the works, the purposes for which it is proposed to use the works and the times at which it is proposed to begin and to complete the erection or carrying out of the works,
- c.** the maximum and minimum quantities of Petroleum in the form of gas and the maximum and minimum quantities of Petroleum in other forms which the Licensee proposes to get as mentioned in number 17.1.b
 - i.** in each calendar year, or
 - ii.** in each such period of more or less than one calendar year as may be specified by the Minister.

17.3. The Licensee shall comply with the direction given to him by the Minister

- a.** to prepare different programmes in pursuance of number 17.2 above in respect of Petroleum from such different parts of the Licensed Area as are specified in the direction; or
- b.** to prepare a programme or programmes in pursuance of 17.2 above in respect of a further period or further periods during that term, where a programme approved or served in pursuance of this clause relates to a particular period during the term of this licence.

17.4. It shall be the duty of the Minister expeditiously to consider any programme submitted to him in pursuance of number 17.2 above and when he has done so to give notice in writing to the Licensee stating

- a.** that the Minister approves the programme, or
- b.** that the Minister approves the programme subject to the condition that such of the Relevant Works as are specified in the notice shall not be used before the expiration of the period so specified in relation to the works or shall not be used without the consent in writing of the Minister; or
- c.** that the Minister rejects the programme on one or both of the following grounds, namely
 - i.** that the carrying out of any proposals included in the programme in pursuance of number 17.2 above would be contrary to good oilfield practice;
 - ii.** that the proposals included in the programme in pursuance of number 17.2.c in the opinion of the Minister, not in the national interest of the Faroe Islands.

A notice in pursuance of number 17.4.b above may contain different conditions in respect of different works but shall not be given unless the Minister is satisfied that the condition mentioned in the notice is required in the interests of the Government of the Faroe Islands.

- 17.5.** Where the Minister gives notice of rejection of a programme in pursuance of number 17.4.c above, then
- a.** the Minister shall, if the grounds of the rejection consist of or include the grounds mentioned in number 17.4.c.i, he shall include in the notice a statement of the matters in consequence of which he rejected the programme on that ground; and
 - b.** the Minister shall, if the grounds of the rejection consist of or include the ground mentioned in number 17.4.c.ii, he shall include in the notice a statement of the rates at which he considers that, in the national interest of the Faroe Islands, Petroleum should be got from the area to which the programme relates;
 - c.** the Licensee shall prepare and submit to the Minister, before the time specified in the notice
 - i.** where the notice contains such a statement as is mentioned in number 17.5.a above, modifications of the programme which ensure that the carrying out of the programme with those modifications would not be contrary to good oilfield practice;
 - ii.** where the notice contains such a statement as is mentioned in number 17.5.a, modifications of the programme which ensure the getting of Petroleum from the area to which the programme relates at the rates specified in the statement and which (except so far as may be necessary in order to get Petroleum at those rates) are not such that the carrying out of the programme with those modifications would be contrary to good oilfield practice.

The Licensee shall not be required by virtue of number 17.5.a to submit modifications if it is determined in consequence of any reference to arbitration in the manner provided by number 43 of this licence that the carrying out of the programme without modifications would not be contrary to good oilfield practice.

17.6. If the Minister gives notice in writing to the Licensee that the Minister approves the modifications of a programme which have been submitted to him in pursuance of number 17.5.a, the programme with those modifications shall be deemed to be approved by the Minister. If the Licensee fails to perform the duty imposed on him pursuant to number 17.5.c., the Minister may, if he thinks fit, instead of revoking this licence in consequence of the failure, serve on the Licensee such a programme as the Minister considers that the Licensee should have submitted to him in respect of the area and period to which the rejected programme related.

17.7. Where the Minister proposes to approve a programme subject to a condition in pursuance of number 17.4.b or to reject a programme in pursuance of number 17.4.c or to serve a programme on the Licensee in pursuance of number 17.6, the Minister shall before doing so

- a.** give the Licensee particulars of the proposal and an opportunity to make representations to the Minister about the technical and financial factors which the Licensee considers are relevant in connection with the proposal; and
- b.** consider any such representations then made to him by the Licensee.

17.8. The Licensee shall carry out any programme approved or served on him by the Minister in pursuance of this clause or, if such a programme is varied in pursuance of number 18 of this licence, the programme as so varied except in so far as the Licensee is authorised in writing by the Minister to do otherwise or is required to do otherwise by such a condition as is mentioned in number 17.4.b. If it is necessary to carry out certain works in order to comply with provisions included in a programme by virtue of number 17.5.c or provisions of a programme served on the Licensee in pursuance of number 17.6 or provisions of a programme as varied in pursuance of number 18 of this licence, then, notwithstanding anything in the programme as to the time when those provisions are to be complied with, the Licensee shall not be treated as having failed to comply with those provisions before the expiration of the period reasonably required for carrying out the works.

17.9. In this clause “Relevant Works” means any structures and any other works whatsoever which are intended by the Licensee to be permanent and are neither designed to be moved from place to place without major dismantling nor intended by the Licensee to be used only for searching for Petroleum.

Provisions supplementary to clause 17

18.1. A consent given by the Minister in pursuance of number 17.1 of this licence may be given subject to such conditions as are specified in the document signifying the consent and may be limited to a period so specified.

Commencement and abandonment and plugging of Wells

19.1. The Licensee shall not commence or recommence the drilling of any Well without the consent in writing of the Minister.

19.2. Subject to number 19.6, the Licensee shall not abandon any Well without the consent in writing of the Minister.

19.3. The Licensee shall ensure compliance with any conditions subject to which any consent under either of the foregoing paragraphs is given.

19.4. If any such condition under clause 19.1 of this clause relates to the position, depth or direction of the Well, or to any casing of the Well or if any condition under either number 19.1 or number 19.2 relates to any plugging or abandoning of the Well, the Minister may from time to time direct that the Well and all records relating thereto shall be examined in such manner, upon such occasions or at such intervals and by such person as may be specified by the Minister's direction and the Licensee shall pay to any such person or to the Minister such fees and expenses for such examination as the Minister may specify.

19.5. The plugging of any Well shall be done in accordance with a specification approved by the Minister applicable to that Well or to Wells generally or to a class of Wells to which that Well belongs and shall be carried out in an efficient and workmanlike manner.

19.6. The Minister may at any time give the Licensee a notice requiring a well drilled pursuant to this licence to be plugged and abandoned in accordance with 19.5 within the period specified in the notice. This paragraph refers to number 19.8 and 19.9.

19.7. The Licensee shall comply with any notice 19.6 above.

19.8. A notice under number 19.6 above may not be given less than one month before the expiry or determination of the Licensee's rights under this licence in relation to the area, or the part of the area, in which the well is drilled.

19.9. A notice under 19.6 may be given only in relation to a well from which the Licensee has not extracted any petroleum within the period of one month ending with the day on which the notice is given.

19.10. Subject to number 19.6, 19.7, 19.11 and 19.12, any Well drilled by the Licensee pursuant to this licence shall be plugged and abandoned in accordance with number 19.2 through 19.5, not less than one month before the expiry or determination of the Licensee's rights in respect of the area or part thereof in which that Well is drilled.

19.11. A direction by the Minister may be given by notice in writing to the Licensee not less than one month before the Licensee's rights in respect of the area or part thereof in which the Well is situated expire or determine so as to relieve the Licensee of the obligation to plug and abandon the Well.

19.12. Where the Minister revokes this licence, any Well drilled by the Licensee pursuant to this licence shall

- a. be plugged and abandoned in accordance with number 19.2 through 19.5, as soon as reasonably practicable;
- or
- b. if the Minister so directs at the time of revocation, be left in good order and fit for further working together with all casings and any Well head fixtures the removal whereof would cause damage to such Wells.

19.13. Any well that, pursuant to a direction by the Minister under number 19.1 above, has not been plugged and abandoned, shall be left in good order and fit for further working together with all casings and any Well head fixtures the removal whereof would cause damage to such wells.

19.14. All casings and fixtures forming part of a Well and left in position at the expiry or determination whether by revocation or otherwise of the Licensee's rights in respect of the area or part thereof in which that Well is drilled shall be the property of the Government of the Faroe Islands.

Distance of Wells from boundaries of Licensed Area

20. No Well shall except with the consent in writing of the Minister be drilled or made so that any part thereof is less than one hundred and twenty-five metres from any of the boundaries of the Licensed Area.

Control of Development Wells

21.1. The Licensee shall not suspend work on the drilling of a Development Well, or having suspended it in accordance with this paragraph shall not begin it again, except with the consent in writing of the Minister and in accordance with the conditions, if any, subject to which the consent is given.

21.2. When work on the drilling of a Development Well is suspended in accordance number 21.1, the Licensee shall forthwith furnish the Minister with such information relating to the Well as the Minister may specify.

21.3. The Licensee —

- a. shall not do any Completion Work in respect of a Well in the Licensed Area except in accordance with a programme of Completion Work approved by the Minister in respect of the Well;
- b. shall furnish to the Minister, in accordance with the provisions of such a programme, particulars of any Completion Work done by him in respect of a Well in the Licensed Area; and
- c. shall not remove or alter any casing or equipment installed by way of Completion Work in respect of a Well

except with the consent in writing of the Minister and in accordance with the conditions, if any, subject to which the consent is given.

21.4. In this clause —

“Completion Work”, in relation to a Well, means work, by way of the installation of a casing or equipment or otherwise after the Well has been drilled, for the purpose of bringing the Well into use as a Development Well; and “Development Well” means a Well which the Licensee uses or intends to use in connection with the getting of Petroleum in the Licensed Area, other than a Well which for the time being he uses or intends to use only for searching for Petroleum.

Provision of storage tanks, pipes, pipelines or other receptacles

22. The Licensee shall use methods and practice customarily used in good oilfield practice for confining the Petroleum obtained from the Licensed Area in tanks, gasholders, pipes, pipe-lines or other receptacles constructed for that purpose.

Avoidance of harmful methods of working

23.1 The Licensee shall maintain all apparatus and appliances and all Wells in the Licensed Area which have not been abandoned and plugged in good repair and condition and shall execute all operations in or in connection with the Licensed Area in a proper and workmanlike manner in accordance with methods and practice customarily used in good oilfield practice. Without prejudice to the generality of the foregoing provision the Licensee shall take all steps practicable in order—

- a. to control the flow and to prevent the escape or waste of Petroleum discovered in or obtained from the Licensed Area;
- b. to conserve the Licensed Area for productive operations;
- c. to prevent damage to adjoining Petroleum-bearing strata;
- d. to prevent the entrance of water through Wells to Petroleum-bearing strata except for the purposes of secondary recovery; and
- e. to prevent the escape of Petroleum into any waters in or in the vicinity of the Licensed Area.

23.2. The Licensee shall comply with any instructions from time to time given by the Minister in writing relating to any of the matters set out in the foregoing paragraph. If the Licensee objects to any such instruction on the ground that it is unreasonable, he may, within fourteen days from the date upon which the same was given, refer the matter to arbitration in manner provided by number 43 of this licence.

23.3. Notwithstanding anything in the preceding provisions of this clause, the Licensee shall not—

- a. flare any gas from the Licensed Area; or
- b. use gas for the purpose of creating or increasing the pressure by means of which Petroleum is obtained from that area, except with the consent in writing of the Minister and in accordance with the conditions, if any, of the consent.

23.4. An application for consent in pursuance of number 23.3 must be made in writing to the Minister and must specify the date on which the Licensee proposes to begin the flaring or use in question. That date must not be before the expiration of the period of two years beginning with the date when the Minister receives the application.

23.5. Before deciding to withhold consent or to grant it subject to conditions in pursuance of number 23.3 above, the Minister shall give the Licensee an opportunity to make representations in writing to the Minister about the technical and financial factors which the Licensee considers are relevant in connection with the case and shall consider any such representations then made to him by the Licensee.

23.6. Consent in pursuance of number 23.3 shall not be required for any flaring which, in consequence of an event which the Licensee did not foresee in time to deal with it otherwise than by flaring, is necessary in order—

- a. to remove or reduce the risk of injury to persons in the vicinity of the Well in question; or
- b. to maintain a flow of Petroleum from that or any other Well,

but when the Licensee does any flaring which is necessary as aforesaid he shall forthwith inform the Minister that he has done it and shall, in the case of flaring to maintain a flow of Petroleum, stop that flaring upon being directed by the Minister to do so.

23.7. The Licensee shall give notice to the Minister of any event causing the escape or waste of Petroleum, damage to Petroleum-bearing strata or the entrance of water through Wells to Petroleum-bearing strata except for the purposes of secondary recovery forthwith after the occurrence of that event and shall, forthwith after the occurrence of any event causing the escape of Petroleum into the sea, give notice of the event to VØRN (the Fisheries Inspection) and MRCC Tórshavn.

23.8. The Licensee shall comply with any reasonable instructions from time to time given by the Minister with a view to ensuring that funds are available to discharge any liability for damage attributable to the release or escape of Petroleum in the course of activities connected with the exercise of rights granted by this licence. Where the Minister proposes to give such instructions he shall before giving them

- a. give the Licensee particulars of the proposal and an opportunity to make representations to the Minister about the proposal; and
- b. consider any representations then made to him by the Licensee about the proposal.

Appointment of operators

24.1. The Licensee shall ensure that another person (including, in the case where the Licensee is two or more persons, any of those persons) does not exercise any function of organising or supervising all or any of the operations of searching or boring for or getting Petroleum in pursuance of this licence unless that other person is a person approved in writing by the Minister and the function in question is one to which that approval relates.

24.2. The Minister shall not refuse to give his approval of a person in pursuance of number 24.1 if that person is competent to exercise the function in question, but where an approved person is no longer competent to exercise that function the Minister may, by notice in writing given to the Licensee, revoke his approval.

Fishing and navigation

25. The Licensee shall not carry out any operations authorised by this licence in or about the Licensed Area in such manner as to interfere unjustifiably with navigation or fishing in the waters of the Licensed Area or with the conservation of the living resources of the sea.

Training – Opportunities for Faroese companies etc.

26.1. The Minister may from time to time give to the Licensee instructions in writing as to the training of persons employed or to be employed, whether by the Licensee or by any other person, in any activity which is related to the exercise of the rights granted by this licence and the Licensee shall ensure that any instructions so given are complied with.

26.2. The Licensee shall furnish the Minister with such information relating to the training of persons referred to in paragraph (1) of this clause as the Minister may from time to time request.

26.3. The Licensee acknowledges and agrees to provide Faroese companies genuine opportunities, in free and open competition with others, to obtain primary contracts or subcontracts to provide goods and services in connection with the performance of the activities stipulated by this License. In this connection, the Licensee shall comply with the procedures stipulated by the Minister regarding the reporting of initiatives intended by this License to be undertaken by the Licensee related to the tendering of work regarding the performance of the activities stipulated under the License, as well as on the reporting of the terms and conditions governing the contracts to provide said goods and services.

26.4. The Licensee has the responsibility to ensure that the provisions 26.3 above are followed by its employees, as well as its contractors, subcontractors or other third parties that provide services to the Licensee in connection with the performance of the activities stipulated in this License.

26.5. The Licensee acknowledges and agrees to provide employment opportunities in the Faroes and to endeavour to offer Faroese educational and research institutions and the Faroese business community in general the opportunity to participate in such research and development projects that may be undertaken in performance of the activities stipulated in this License. In this connection, the Licensee shall comply with such reporting procedures as may be specified by the Minister.

26.6. The Licensee acknowledges and agrees to encourage, promote and facilitate the execution of contractual agreements between Faroese companies and foreign contractors engaged in the provision of good and services to the Licensee in order to augment the competence and technological know-how of Faroese companies in the delivery of said goods and services. In this connection, the Licensee shall comply with the directives and regulations on the submission of reports stipulated under § 33 of the Hydrocarbon Activities Act.

26.7. Pursuant to § 11, Clause 1 of the Hydrocarbon Activities Act, the Licensee shall transport any and all equipment and passengers via a Faroese quay or a Faroese airport. In special cases, the Minister may issue an exception to this requirement.

26.8. Within three months after the License has been granted, the Licensee shall submit a plan to the Minister for approval on how and where the land-based activities of the Licensee shall be organized during the exploration

phase. A similar plan for the production phase shall be submitted for approval by the Minister along with the application for approval of the Field Development Plan, pursuant to § 15, Clause 2 of the Hydrocarbon Activities Act.

Unit development

27.1. If at any time at which this licence is in force the Minister shall be satisfied that the strata in the Licensed Area or any part thereof form part of a single geological Petroleum structure or Petroleum field (hereinafter referred to as “an Oil Field”) other parts whereof are formed by strata in areas in respect of which other licences granted in pursuance of the Act are then in force and the Minister shall consider that it is in the national interest in order to secure the maximum ultimate recovery of Petroleum and in order to avoid unnecessary competitive drilling that the Oil Field should be worked and developed as a unit in co-operation by all persons including the Licensee whose licences extend to or include any part thereof, the following provisions of number 27.2 through 27.6 shall apply.

27.2. Upon being so required by notice in writing by the Minister the Licensee shall co-operate with such other persons, being persons holding licences under the Act in respect of any part or parts of the Oil Field (hereinafter referred to as “the other Licensees”) as may be specified in the said notice in the preparation of a scheme (hereinafter referred to as “a Development Scheme”) for the working and development of the Oil Field as a unit by the Licensee and the other Licensees in co-operation, and shall, jointly with the other Licensees, submit such scheme for the approval of the Minister.

27.3. The said notice shall also contain or refer to a description of the area or areas in respect of which the Minister requires a Development Scheme to be submitted and shall state the period within which such scheme is to be submitted for approval by the Minister.

27.4. If a Development Scheme is not submitted to the Minister within the deadline according to number 27.3 or if a Development Scheme so submitted is not approved by the Minister, the Minister may himself prepare a Development Scheme which shall be fair and equitable to the Licensee and all other Licensees, and the Licensee shall perform and observe all the terms and conditions thereof.

27.5. If the Licensee objects to any such Development Scheme prepared by the Minister he may within 28 days from the date on which notice in writing of the said scheme shall have been given to him by the Minister refer the matter to arbitration in the manner provided by number 43 of this licence.

27.6. Any such Development Scheme or the award of any arbitrator or arbiter in relation thereto shall have regard to any direction pursuant to number 28 of this licence in force at the date of such scheme.

Directions as to Oil Fields across boundaries

28.1. Where the Minister is satisfied that any strata in the Licensed Area or any part thereof form part of an Oil Field, other parts whereof are in an area to which the Minister’s powers to grant licences pursuant to the Act do not apply and the Minister is satisfied that it is expedient that the Oil Field should be worked and developed as a unit in co-operation by the Licensee and all other persons having an interest in any part of the Oil Field, the Minister may from time to time by notice in writing give to the Licensee such directions as the Minister may think fit, as to the manner in which the rights conferred by this licence shall be exercised.

28.2. The Licensee shall observe and perform all such requirements in relation to the Licensed Area as may be specified in any such direction.

28.3. Any such direction may add to, vary or revoke the provisions of a Development Scheme.

Licensee to keep records

29.1. The Licensee shall keep accurate records in a form from time to time approved by the Minister of the drilling, deepening, plugging or abandonment of all Wells and of any alterations in the casing thereof.

Such records shall contain particulars of the following matters:

- a. the site of and number assigned to every Well;
- b. the subsoil and strata through which the Well was drilled;
- c. the casing inserted in any Well and any alteration to such casing;
- d. any Petroleum, water, mines or workable seams of coal encountered in the course of such activities; and
- e. such other matters as the Minister may from time to time direct.

29.2 The Licensee shall keep within the Faroe Islands accurate geological plans and maps relating to the Licensed Area and such other records in relation thereto as may be necessary to preserve all information which the Licensee has about the geology of the Licensed Area.

29.3. The Licensee shall deliver copies of the said records, plans and maps referred to in 29.1 and 29.2 to the Minister when requested to do so, either

- a. within any time limit specified in the request; or
- b. if there is no time limit specified, within four weeks of the request.

Returns

30.1. The Licensee shall furnish to the Minister on the first anniversary of the Start Date, and at intervals of three months thereafter during the period in which this licence is in force, a return in a form from time to time approved by the Minister of the progress of his operations in the Licensed Area. Such return shall contain.

- a. a statement of all geological work, including surveys and tests, which has been carried out and the areas in which and the persons by whom the work has been carried out and the results thereof;
- b. the number assigned to each Well, and in the case of any Well the drilling of which was begun or the number of which has been changed during such period of three months, the site thereof;
- c. a statement of the depth drilled in each Well;
- d. a statement of any Petroleum, water, mines or workable seams of coal or other minerals encountered in the course of the said operations; and
- e. a statement of all Petroleum won and saved.

30.2. Within two months after the end of each calendar year, which falls wholly or partly within the period in which this licence is in force and within two months after the expiration or determination of this licence or any renewal thereof, the Licensee shall furnish to the Minister an annual return in a form from time to time approved by the Minister of the operations conducted in the Licensed Area during that year or the period prior to such expiration or determination as the case may be together with a plan upon a scale approved by the Minister showing the situation of all Wells. The Licensee shall also indicate on the said plan all development and other works executed by him in connection with searching, boring for or getting Petroleum.

30.3. The Licensee shall furnish the Minister with such information as the Minister may from time to time request about any aspect of activities of the Licensee which are attributable directly or indirectly to the grant of this licence. The Licensee shall not by virtue of this paragraph be required to furnish information in respect of his activities in connection with any crude oil after he has appropriated it for refining by him.

30.4. The Licensee shall comply with any request for information made in accordance with number 30.3 above either

- a. within any time limit specified in the request; or
- b. if there is no time limit specified, within four weeks of the request.

Licensee to keep samples

31.1. As far as reasonably practicable the Licensee shall correctly label and preserve for reference for a period of five years samples of the sea bed and of the strata encountered in any Well and samples of any Petroleum or water discovered in any Well in the Licensed Area.

31.2. The Licensee shall not dispose of any sample after the expiry of the said period of five years unless

- a. he has at least six months before the date of the disposal given notice in writing to the Minister of his intention to dispose of the same; and
- b. the Minister or any person authorised by him has not within the said period of six months informed the Licensee in writing that he wishes the sample to be delivered to him.

31.3. The Minister or any person authorised by him shall be entitled at any time

- a. to inform the Licensee in writing that he wishes the whole or any part of any sample preserved by the Licensee to be delivered to him; or
- b. to inspect and analyse any sample preserved by the Licensee.

31.4. The Licensee shall forthwith comply with any request for the delivery of the whole or any part of any sample which is made in accordance with the preceding provisions of this clause.

Reports to be treated as confidential

32.1. All records, returns, plans, maps, samples, accounts and information (in this clause referred to as “the specified data”) which the Licensee is or may from time to time be required to furnish under the provisions of this licence shall be supplied at the expense of the Licensee and shall not, except with the consent in writing of the Licensee

which shall not be unreasonably withheld, be disclosed to any person not in the service or employment of the Government of the Faroe Islands.

Notwithstanding the stipulations above

- a. the Minister shall be entitled at any time to make use of any of the specified data for the purpose of preparing and publishing such returns and reports as may be required of the Minister by law;
- b. the Minister shall be entitled at any time to furnish any of the specified data to Jarðfeingi and to a similar institution as may from time to time be carrying on activities of a substantially similar kind to the geological activities at present carried on by Jarðfeingi,
- c. the Minister, Jarðfeingi and any such other body shall be entitled at any time to prepare and publish reports and surveys of a general nature using information derived from any of the specified data,
- d. the Minister, Jarðfeingi and any other such body shall be entitled to publish any of the specified data of a geological, scientific or technical kind either
 - i. after the expiration of the period of three years beginning with the date when the data were due to be supplied to the Minister in accordance with number 29 or number 30 of this licence, or if earlier, the date when the Minister received those data;
 - ii. after the licence ceases to have effect, whether because of its determination, revocation or the effluxion of time; or
 - iii. after the expiration of such longer period as the Minister may determine after considering any representations made to him by the Licensee about the publication of data in pursuance of this subparagraph.
- e. the Minister, Jarðfeingi and any such other body shall be entitled at any time to provide others, Faroese authorities included, the information to the extent that this is required by law or other stipulation in force.

Inspection of records etc.

33. The Licensee shall —

- a. permit any person in the service or employment of the Faroese Government who is appointed by the Minister for the purpose to inspect, and to take copies of and make notes from, all books, papers, maps and other records of any kind kept by the Licensee in pursuance of this licence or in connection with activities about which the Minister is entitled to obtain information in pursuance of number 26.3 and 30.3 of this licence; and
- b. furnish that person at reasonable times with such information and provide him at reasonable times with such reasonable assistance as he may request in connection with or arising out of an inspection in pursuance of this clause.

Rights of access

34. Any person or persons authorised by the Minister shall be entitled at all reasonable times to enter into and upon any of the Licensee's installations or equipment used or to be used in connection with searching, boring for or getting Petroleum in the Licensed Area for the purposes hereinafter mentioned

- a. to examine the installations, Wells, plant, appliances and works made or executed by the Licensee in pursuance of the licence and the state of repair and condition thereof; and
- b. to execute any works or to provide and install any equipment which the Minister may be entitled to execute or provide and install in accordance with the provisions hereof.

Power to execute works

35. If the Licensee shall at any time fail to perform the obligations arising under the terms and conditions of any of number 14, 19, 22 or 23, of this licence, the Minister shall be entitled, after giving to the Licensee reasonable notice in writing of his intention, to execute any works and to provide and install any equipment which in the opinion of the Minister may be necessary to secure the performance of the said obligations or any of them and to recover the costs and expenses of so doing from the Licensee.

Right of distress

36. If and whenever any of the payments mentioned in clause 12(1) of this licence or any part thereof shall be in arrear or unpaid for 28 days next after any of the days whereon the same ought to be paid (whether the same shall have been legally demanded or not) then and so often as the same may happen the Minister may (as an additional remedy and without prejudice to any other rights and remedies to which he would be entitled) enter into and upon

any of the Licensee's installations and equipment used or to be used in connection with searching, boring for or getting Petroleum in the Licensed Area and may seize and distrain and sell as a landlord may do for rent all or any of the stocks of Petroleum, engines, machinery, tools, implements, chattels and other effects belonging to the Licensee which shall be found in or upon or about any of the Licensee's installations and equipment so entered upon and out of the moneys arising from the sale of such distress may retain and pay all the arrears of the said payments and also the costs and expenses of and incident to such distress and sale and shall pay the surplus (if any) to the Licensee.

Security

37. To ensure that the Licensee complies with all the obligations under this License, including, but not limited to, any compensation for damages, the Licensee shall provide evidence of sufficient security within thirty (30) days from the issuance of said License in an amount and of a kind that is acceptable to the Minister, including a comfort letter guarantee from the parent company, unless the Minister exempts the Licensee of this requirement. The Minister may subsequently require upon 30-days' notice that such security be amended or supplemented.

Indemnity against third party claims

38. The Licensee shall at all times keep the Minister effectually indemnified against all actions, proceedings, costs, charges, claims and demands whatsoever which may be made or brought against the Minister by any third party in relation to or in connection with this licence or any matter or thing done or purported to be done in pursuance thereof.

Advertisements, prospectuses etc.

39. No statement shall be made either in any notice, advertisement, prospectus or other document issued by or to the knowledge of the Licensee or in any other manner claiming or suggesting whether expressly or by implication that any Government Department or any person or body acting on behalf of the Faroese Government has or have formed or expressed any opinion that the Licensed Area is from its geological formation or otherwise one in which Petroleum is likely to be obtainable.

Restrictions on assignment, etc.

40.1. The Licensee shall not, except with the consent in writing of the Minister and in accordance with the conditions (if any) of the consent do anything whatsoever whereby, under the law any right granted by this licence or derived from a right so granted becomes exercisable by or for the benefit of or in accordance with the directions of another person.

40.2. An agreement permitting the carrying out of geological surveys by physical or chemical means in the Licensed Area is not prohibited by paragraph (1) above if the person by whom such surveys are to be carried out is

a. the holder of a licence granted by the Minister of the right, in common with all other persons to whom the like right may have been granted, to search for Petroleum in respect of an area which would include the Licensed Area, but for a proviso therein excluding the exercise of such right in the Licensed Area without the consent of the Licensee; or

b. the holder of a licence granted by the Minister to search and bore for, and get, Petroleum in an area adjacent to the Licensed Area.

The information intended to be obtained by such survey shall be deemed to be reasonably necessary to enable that holder more efficiently to exercise the rights granted by the licence which he holds from the Minister.

40.3. The Licensee shall not enter into any agreement providing for a person other than the Licensee to become entitled to, or to any proceeds of sale of, any Petroleum which, at the time when the agreement is made, has not been but may be won and saved from the Licensed Area unless the terms of the agreement have been approved in writing by the Minister either unconditionally or subject to conditions, but the preceding provisions of this paragraph do not apply to—

a. an agreement for the sale of such Petroleum under which the price is payable after the Petroleum is won and saved; and

b. an agreement in so far as it provides that, after any Petroleum has been won and saved from the Licensed Area, it shall be exchanged for other Petroleum.

40.4. The Licensee shall not, without the consent of the Minister, dispose of any Petroleum won and saved in the Licensed Area or any proceeds of sale of such Petroleum in such a manner that the disposal does, to the knowledge of the Licensee or without his knowing it, fulfil or enable another person to fulfil obligations which a person who controls the Licensee, or a person who is controlled by a person who controls the Licensee, is required to fulfil by an

agreement which, if the person required to fulfil the obligations were the Licensee, would be an agreement of which the terms require approval by virtue of number 40.3 paragraph (3) of this clause. § 37 a in the Act on Government and Municipal Taxes shall apply for the purposes of determining whether for the purposes of this paragraph a person has control of another person. When a decision is made according to this stipulation as to whether a person has control over another person the limit shall be one third rather than 50% as stipulated in § 37 a in the Act on Government and Municipal Taxes.

40.5. Where the Licensee is two or more persons, then, without prejudice to the preceding provisions of this clause, none of those persons shall enter into an agreement with respect to the entitlement of any of them to

- a.** the benefit of any right granted by this licence, or
- b.** any Petroleum won and saved from the Licensed Area, or
- c.** any proceeds of sale of such Petroleum,

This does however not apply if the terms of the agreement have been approved in writing by the Minister. The preceding provisions of this paragraph do not apply to an agreement for the sale, or for the proceeds of such sale, of such Petroleum under which the price is payable after the Petroleum is won and saved and an agreement in so far as it provides that, after any Petroleum has been won and saved from the Licensed Area, it shall be exchanged for other Petroleum.

Power of revocation

41.1. If any of the events specified in the following paragraph shall occur then and in any such case the Minister may revoke this licence and thereupon the same and all the rights hereby granted shall cease and determine but subject nevertheless and without prejudice to any obligation or liability incurred by the Licensee or imposed upon him by or under the terms and conditions hereof.

41.2. The events referred to in the foregoing paragraph are

- a.** any payments mentioned in number 12.1 above or any part thereof being in arrear or unpaid for two months next after any of the days whereon the same ought to have been paid;
- b.** any breach or non-observance by the Licensee of any of the terms and conditions of this licence;
- c.** the bankruptcy of the Licensee,
- d.** the making by the Licensee of any arrangement or composition with his creditors,
- e.** if the Licensee is a company, the appointment of a receiver or administrator or any liquidation whether compulsory or voluntary,
- f.** in a jurisdiction other than the Faroe Islands, the commencement of any procedure or the making of any arrangement or appointment substantially corresponding to any of those mentioned in number nr. 41.2.c og 41.2.e,
- g.** any breach or non-observance by the Licensee of the terms and conditions of a Development Scheme;
- h.** if the Licensee is a company, the Licensee's ceasing to direct and control either
 - (i.)** its operations under the licence, or
 - (ii.)** any commercial activities in connection with those operations from a fixed place within the Faroe Islands;
- i.** any breach of a condition subject to which the Minister gave his approval in pursuance of number 40.3 of this licence;
- j.** any breach of clause 40.5 of this licence,

Where two or more persons are the Licensee any reference to the Licensee in number 41.2.c and 41.2.h is a reference to any of those persons.

41.3. The Minister may revoke this licence, with the like consequences as are mentioned in 41.1, if

- a.** the Licensee is a company; and
- b.** there is a change in the control of the Licensee; and
- c.** the Minister serves notice in writing on the Licensee stating that the Minister proposes to revoke this licence in pursuance of this paragraph unless such a further change in the control of the Licensee as is specified in the notice takes place within the period of three months beginning with the date of service of the notice, and
- d.** that the control according to the notice, mentioned in number 41.3.c does not change within that period.

41.4. There is a change in the control of the Licensee for the purposes of number 41.3.b whenever a person has control of the Licensee who did not have control of the Licensee when this licence was granted or, if there has been an assignment or assignation of rights conferred by this licence, when those rights were assigned to the Licensee. § 37 a in the Act on Government and Municipal Taxes shall apply for the purposes of determining whether for the purposes of this paragraph a person has or has had control of another person.

41.5. Where two or more persons are the Licensee and any of them is a company, number 41.3 and number 41.4 shall have effect as if

- a. 41.3.a was omitted,
- b. instead of the wording in 41.3.b, is inserted the following wording “when changes are made in connection with any company between the companies who together constitute the licensee”, and
- c. for the word “Licensee” in any other provision of those paragraphs there were substituted the word “company”.

Power of partial revocation

42.1. This clause applies in a case where two or more persons are the Licensee and

- a. an event mentioned in clause 41.2., c, d, e, f or h occurs in relation to one of those persons; or
- b. the conditions specified in number 41.3 are satisfied in relation to one of those persons.

42.2. Where this clause applies, the Minister may exercise the power of revocation in number 41 to revoke the licence in so far as it applies to the person mentioned in number 42.1.a or 42.1.b.

42.3. If the Minister exercises the power in paragraph (2), the rights granted to the person under this licence cease, but without prejudice to any obligation or liability incurred by the person or imposed under the terms and conditions of this licence.

42.4. Where this licence is revoked in relation to one person under this clause, it continues to have effect in respect of the other person who constitutes, or persons who together constitute, the Licensee and in relation to whom it is not revoked.

Disputes - Arbitration

43.1. Any disputes or controversies arising out of or in connection with this License or with the activities of the Licensee undertaken pursuant to this License shall be resolved pursuant to the then current legislation in force in the Faroe Islands, and shall be brought before a Faroese or a Danish court. The venue shall be Tórshavn.

43.2. Number 43.1 shall not prejudice the right of the Minister and the Licensee to decide, in any particular case, that a dispute or controversy referenced in number 43.1 shall be resolved by arbitration.

43.3. If the disagreement concerns a disagreement regarding a Development Scheme, the Licensee may refer the matter to arbitration according to the rules as provided by the following paragraphs.

43.4. The arbitration referred to in the foregoing paragraph shall be by a single arbitrator whom the parties shall agree to nominate. In default of agreement between the parties as to his appointment, any party may ask the Presiding Judge of the Court of the Faroe Islands (Sorinskrivarin) to appoint the arbitrator.

43.5. In the case of any such arbitration which relates to a Development Scheme the Licensee shall unless the arbitrator otherwise determines perform and observe the terms and conditions of the Development Scheme pending the decision of the arbitrator.

VØRN, MRCC Tórshavn

44.1. The Licensee shall give VØRN and MRCC Tórshavn six months' prior notice of any installation movements within a Block.

44.2. The Licensee shall give the VØRN and MRCC Tórshavn six weeks' prior notice of any seismic survey within a Block.

44.3. The Licensee shall at his own expense, install and maintain underwater sonar beacons to VØRN and MRCC Tórshavn specifications on any structures that may be temporarily within a Block provided that there shall be no requirement to fit such beacons to fixed and charted installations.

Relationship with fishing industry

45.1. The Licensee shall appoint a fisheries liaison officer who shall agree suitable arrangements with the seismic survey and supply vessel owners employed by the Licensee, their masters and the organisations which represent the local fishing industry in order to promote good working relationships between the various parties. The setting up of the arrangements shall be the responsibility of the Licensee. In particular the Licensee shall

- a. consult the organisations which represent the local fishing industry about the sea routes to be used by supply vessels;
- b. after informing the Minister of the result of such consultations, agree with him which routes shall be used to minimise interference with fishing activities without thereby unreasonably increasing transit times;
- c. ensure that the agreed routes are used unless safety of navigation or security of cargo considerations dictate otherwise; and

d. take all reasonable steps to ensure that a responsible person who is fluent in Faroese is a member of the crew of the supply vessel.

45.2. The Licensee shall make every effort to locate and remove, without unreasonable delay, any debris resulting from the licensed activities. The Licensee shall consult the relevant fishing organisations on the method of clearance and inform the Minister of the result of such consultation. If as a result of such consultation the Minister determines that the method of clearance of debris should be modified, such modifications shall be observed by the Licensee.

45.3. Claims for damage to or loss of gear or loss of fishing time arising from reported debris shall be dealt with promptly by the Licensee.

Annex 2 a
to model license for the exploitation and exploitation of hydrocarbons
Fifth Licensing Round

NOTE: Annex 2 a is provided for illustration purposes only. Based on the offer of the applicant and the determination of the Minister, each individual License Area shall be specifically stipulated.

Area covered by the License, cf. § 2 (1).

The License encompasses the area represented in block(s) _____, as shown on the attached map, with the following coordinates:

European Coordinate System: ETRS89

<i>LATITUDE</i>			<i>LONGITUDE</i>		
Degrees	Min	Sec	Degrees	Min	Sec
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Annex 2 b
to model license for the exploitation and exploitation of hydrocarbons
Fifth Licensing Round

License fee

Fee

- 1) On the Start Date, and on every anniversary date of the Start Date in the Initial Term, the License shall pay the relevant amount mentioned below, times the Licence Area:
 - a) If the Initial Term has a term A, then in term A: 150 DDK
 - b) If the Initial Term has a term A, then in term A: 300 DDK
 - c) If the Initial Term has a term A, then in term A: 1500 DDK

- 2) on every anniversary date of the Start Date in the Initial Term, the License shall pay the relevant amount mentioned below, times the Licence Area:
 - a) On 1. anniversary date: 1.500 DDK / km²
 - b) On 2. anniversary date: 1.500 DDK / km²
 - c) On 3. anniversary date: 1.500 DDK / km²
 - d) On 4. anniversary date: 3.000 DDK / km²
 - e) On 5. anniversary date: 12.000 DDK / km²
 - f) On 6. anniversary date: 21.000 DDK / km²
 - g) On 7. anniversary date: 30.000 DDK / km²
 - h) On 8. anniversary date: 39.000 DDK / km²
 - i) On 9. anniversary date: 48.000 DDK / km²
 - j) On 10. anniversary date: 57.000 DDK / km²
 - k) On 11. anniversary date: 66.000 DDK / km²
 - l) On 12. anniversary date and on each anniversary thereafter: 75.000 DDK / km²

- 3) The regular payment shall be regulated according to the following rules:
 - a) The regular payments shall, if the Minister so decides, be increased and later decreased according to the movements in the index for Crude Oil for Refineries (published in the Digest of UK Energy Statistics). Such amendments shall be notified in the month before the 2. anniversary of the Start date after the initial term, or any anniversary thereafter, and shall stipulate the increase or decrease in the payment. Changes in the index shall be calculated with reference to a comparison between the arithmetic average number of the index for the last two preceding years prior to the intended change, where numbers are available and the arithmetic average number of the index for the last two preceding years preceding the start date. If these numbers are not available, the Minister may choose a different way to calculate the number, which has the same effect as the calculation method, indicated above.
 - b) The increase or decrease in the payment has effect on the next anniversary date for the start date after the decision on an increase or decrease has been made and communicated.
 - c) Adjustments cannot lead to the payments being lower than the payments listed in 1) and 2) above.

- 4) In this schedule the following terms have the following meanings:
 - ”Start Date”: the day defined in number 3.1. of the license.
 - ”Initial Term”: the period, defined in number 1 í schedule 2c on the day that this license was issued
 - ”Regular payments”: the payments defined in number 1) and 2) above.
 - ”Area width”: square kilometres, covered by the license on the day that the area fee is due for payment
 If there is a term A in the work programme, ”term A” is the period, which is defined in the work programme on the day that this license was issued

If there is a term B in the work programme, "term B" is the period, which is defined in the work programme on the day that this license was issued

If there is a term C in the work programme, "term C" is the period, which is defined in the work programme on the day that this license was issued

Annex 2 c
to model license for the exploitation and exploitation of hydrocarbons
Fifth Licensing Round

Workprogramme

NOTE: Annex 2 c is provided for illustration purposes only. Based on the offer of the applicant and the determination of the Minister, each individual Work Programme shall be specifically stipulated.

License Term and the Stipulated Work Programme of the License (Confer § 4, Clause 1 of the License).

The following License Term and Work Programme cover the exploration activities that the Licensee shall undertake pursuant number 4.1 of license no. for Exploration and Exploitation of Hydrocarbons, dated, which is effective for the License Area represented by block(s) See annex 2 a.

1. The License Term is 9 years, divided into 3 parts (Term A, B and C). It is possible to go directly to term B or C. The License Term (term A) of years with a Fixed Work Programme concerns examination of available data on the license area. In the event that the Licensee does not intend to undertake the Conditional Work Programme, the License shall terminate at the expiry of term A.
2. In the second term (term B) of ... years the licensee shall acquire ... kilometres of proprietary 2D seismic data. Of this data, a minimum of km shall lie within the Licensee's block(s). In the event that the Licensee does not intend to undertake the Conditional Work Programme, the License shall terminate at the expiry of term A.
3. In the third term (term C) of ... years the licensee shall drill one exploration well, as defined below:
The exploration well(s) shall be drilled through/to (geological description) or to a maximum depth of metres, whichever is gained first. The decision to drill or to abandon the License shall be taken no later than
5. Prior to the commencement of the Work Programme, the Licensee may request the Minister to take a decision as to whether the work planned fully complies with the approved Work Programme.
6. In the event that the Licensee relinquishes the license area, in whole or in part, the Licensee shall submit a final report to the Minister on the hydrocarbon potential of the area that the Licensee has abandoned.

Annex 2 d
to model license for the exploitation and exploitation of hydrocarbons
Fifth Licensing Round

Licensees

Company 1 – _____

Company 2 – _____

Annex 2 e
to model license for the exploitation and exploitation of hydrocarbons
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Deadlines and on the relinquishment of areas

Start date is _____ 2019

Initial term is 7 years from the start date

Second Term is 6 years from the end of the initial term

Third Term is 18 years from the end of the second term