

Unofficial translation

MODEL LICENCE

for

Exploration for and Production of Hydrocarbons

FIRST ROUND

Schedule B to the bill on the First Licensing Round

Ministry of Petroleum

Pursuant to section 6 of Faroese Parliamentary Act No. 31 of 16 March 1998 on Hydrocarbon Activities, and based on the information stated in the company's (companies') application(s) of [date] and other information disclosed, the Minister of Petroleum hereby grants a licence for exploration for and production of hydrocarbons within the area indicated in clause 2 hereof (the "Licence") to the following company or companies jointly (the "Licensee"):

(Name of company):

(Reg. no.): (Registered office):

(Share): %

(Name of company):

(Reg. no.): (Registered office):

(Share): %

(Name of company):

(Reg. no.): (Registered office):

(Share): %

The Licence thus granted shall be subject to the following terms and conditions:

Clause 1

For the purpose of this Licence, the following expressions shall have the meanings set forth below:

Hydrocarbons: mineral oil, condensate, natural gas and other hydrocarbons found naturally in the subsoil which can be produced in a gaseous or liquid form.

Hydrocarbon deposit or deposit: A contiguous accumulation of hydrocarbons in the subsoil. In case of doubt, the Minister of Petroleum shall determine what constitutes a hydrocarbon deposit.

Clause 2

(1) The Licence shall apply to the area indicated on the attached map, with the attendant corner co-ordinates and blocks shown in Annex 1.

(2) The co-ordinate and block system used is defined by geographic latitude and longitude in accordance with European Terrestrial Reference System 1989 (ETRS89). Each quadrant is labeled according to its southeastern corner co-ordinates, e.g. 6105 (N 61⁰, W 05⁰), and it is divided into 30 blocks of 12 longitudinal minutes and 10 latitudinal minutes each. The blocks are labeled from 1 to 30 starting in the quadrant's northwesternmost corner, e.g. 6004/1.

Clause 3

(1) This Licence confers upon the Licensee the exclusive right to explore for and produce hydrocarbons, as defined in clause 1 above, within the area referred to in clause 2. Excepted are such hydrocarbons as are extracted by subjecting coal, bituminous shales or other subsoil deposits to destructive distillation processes or similar treatment.

(2) This Licence shall not prevent the Minister of Petroleum from granting, within the area covered by this Licence, to any parties other than the Licensee permission (i) to

undertake prospecting for hydrocarbons in the subsoil, (ii) to explore for and to produce raw materials other than those covered by this Licence, (iii) to establish and operate pipeline facilities intended for activities falling within the scope of the Act on Hydrocarbon Activities, (iv) to use the subsoil for storage or for purposes other than production, and (v) to carry out scientific investigations. The Licensee shall endeavour to ensure that its activities under this Licence do not impede unnecessarily the activities referred to in the previous sentence and any hydrocarbon exploration and production activities carried out under any other licences, and the Ministry of Petroleum shall endeavour to ensure that the activities described in the previous sentence and the activities of other persons under such other licences do not impede unnecessarily the activities to be undertaken by the Licensee under this Licence.

(3) Where the Licensee discovers any raw materials other than those falling within the scope of the Licence, the Licensee shall be obligated to notify the Ministry of Petroleum thereof.

(4) Where, as a necessary element in the production of hydrocarbons, other raw materials are produced at the same time, the Licensee shall be entitled to such raw materials unless they are subject to private ownership. The Minister of Petroleum reserves the right to impose upon the Licensee specific terms and conditions with respect thereto, including payment of a special levy in case such production becomes economically significant.

Clause 4

(1) The Licensee shall carry out the exploration and other works as are specified in the Work Programme attached hereto as Annex 2.

(2) Where the Licensee discovers any hydrocarbons, prompt notice thereof shall be given to the Ministry of Petroleum. Not later than eight months after the completion of the well in which the discovery is made, there shall be produced a report on the discovery and a programme for such further works as, in accordance with good practice within the oil industry in the North Sea countries, are necessary to ascertain whether a hydrocarbon deposit has been demonstrated under conditions such that production is technically

feasible and could reasonably be considered profitable. The appraisal programme shall include a schedule for execution of the works with a view to establishing, not later than 4 months before the expiry of the exploration period stipulated in clause 5(1), or within any extension of the exploration period granted by the Minister of Petroleum pursuant to section 8(1) of the Act on Hydrocarbon Activities, the necessary basis for the issuance of a declaration as provided for in clause 5(3) hereof.

Clause 5

ALT. 1

(1) The Licence shall be valid for a term of 6 years from the date of issuance.

ALT. 2

(1) The Licence shall be valid for a term of 9 years from the date of issuance on the condition that not later than 4 months before the expiry of the first three-year period of the Licence, an agreement is reached between the Licensee and the Minister of Petroleum providing for (1) a second work programme, specifying the exploratory and other works to be carried out during the remaining part of the exploration term, and (2) dependent on the extent of the said work programme, the extent and timing of relinquishment of acreage.

(2) Any extension of the term of the Licence granted under section 8(2) of the Act on Hydrocarbon Activities with a view to production shall be granted by the Minister of Petroleum for the area delimited under paragraph (4) below for a period of 30 years from the date the extension is granted. Extensions may be granted separately for one or more areas.

(3) The right to extension referred to in paragraph (2) above shall be subject to the conditions that the Licensee has satisfied all its obligations and has demonstrated a commercially exploitable hydrocarbon deposit, and that not later than four months before the expiry of the period specified in paragraph (1), the Licensee submits a request for an extension of the licence term. The request shall contain a declaration stating that a hydrocarbon deposit has been demonstrated under such conditions, that production is technically feasible and could reasonably be considered profitable, and stating that the

Licensee intends to initiate such production. The request shall also contain a delimitation of the area for which the Licensee requests the extension. Within that area the Licensee shall designate the area within which it is believed the hydrocarbon deposit(s) lie and, if applicable and subject to the request for an extension, additional areas up to 50 % of the remaining part of the Licence area. The request shall be accompanied by a report that documents the evaluations of the deposit on which the declaration is based. The report shall contain a description and an evaluation of the deposit(s) in terms of its geology and the technical aspects of the reservoir, and a statement of the production technology and economic assumptions on which the Licensee's declaration is based.

(4) The Minister of Petroleum shall undertake the delimitation of the area or areas for which the licence term is extended with a view to production. The delimitation shall be indicated by geographical co-ordinates and by depths. The area thus delimited shall also include a delimitation of the demonstrated hydrocarbon deposit(s), such deposit(s) having the extent considered by the Minister of Petroleum to have been satisfactorily substantiated by the Licensee in connection with its request for an extension of the licence term. The depth of the delimited area shall be considered to extend at least to the point penetrated by drilling and in any case shall include all hydrocarbon deposits for which the extension is granted. Where conditions so require, a delimited area may include more than one deposit. If the delimitation of the deposit cannot be established with a major degree of certainty, the Minister of Petroleum shall take this into account in determining the extent of any additional area falling under the licence and the associated depths.

(5) The areas to which the right to explore for and to produce hydrocarbons is relinquished and the areas to which these rights are preserved in accordance with paragraph (1) above, as well as the areas for which the licence term is extended in accordance with paragraph (2) above shall be contiguous and be delimited by degrees of longitude and latitude, expressed in whole minutes.

Clause 6

(1) Any extension of the licence term pursuant to clause 5 above is subject to the

condition that prior to a deadline set by the Minister of Petroleum in granting the extension, the Licensee shall submit a plan for developing and handling production from the designated hydrocarbon deposit(s) (field development plan) that meets with the approval of the Minister of Petroleum pursuant to section 15(2) of the Act on Hydrocarbon Activities, and to the condition that the Licensee shall initiate production at the time provided for in the approval.

(2) The Minister of Petroleum may establish detailed rules and regulations on the content and form of an application pursuant to section 15 of the Act on Hydrocarbon Activities, as well as on the information to be submitted together with or subsequent to the application.

Clause 7

(1) The Licensee shall pay an annual rental, based on the size of the area comprised in the Licence on each Licence Date as defined in paragraph 3 below. Such rental shall not be charged for producing hydrocarbon deposits delimited in accordance with clause 5(4) above. In calculating the size of the area, the figure shall be rounded to the nearest whole km².

(2) The area rental shall amount to:

Payments 1 through 6 (Licence year 1 - 6)	DKK 500 per km ²
Payment 7	DKK 1.000 per km ²
Payment 8	DKK 1.500 per km ²
Payment 9	DKK 2.250 per km ²
Payment 10	DKK 3.500 per km ²
Payment 11	DKK 5.000 per km ²
Payment 12	DKK 7.500 per km ²
Payment 13	DKK 11.000 per km ²
Payment 14	DKK 17.000 per km ²
Payment 15	DKK 26.000 per km ²
Payment 16 and subsequent payments	DKK 39.000 per km ²

(3) The rental for each Licence year in respect of the area comprised in the Licence shall be paid in advance on each Licence Date, that is the day and month on which this Licence is dated and issued (the "Licence Date"). In the event of overdue payments, the Licensee shall pay interest at an annual rate equal to the official discount rate set by "Danmarks Nationalbank" from time to time, plus 6% from the date the payment is due to the date of payment.

Clause 8

(1) The Licensee shall pay a royalty to be calculated and paid pursuant to the following provisions of paragraphs (2), (3) and (4) of this clause 8 through clause 10. All royalty payments shall be made in Danish Krone (DKK).

(2) The royalty on hydrocarbons shall be calculated based on the quantity of hydrocarbons produced within each 3-month period (1 January – 31 March; 1 April – 30 June; 1 July – 30 September; and 1 October - 31 December) of each calendar year. Any quantities of produced hydrocarbons, including such quantities of hydrocarbons as are consumed during production activities, shall be included in the statement of the quantities of hydrocarbons subject to royalty. Any immaterial amounts of hydrocarbons that are lost or any amounts that are re-injected into the field before the point of measurement is passed shall not be included in the calculation of royalty, but such quantities shall be set out in the relevant notice to the Ministry of Petroleum.

(3) The rate of the royalty is two percent (2%) of the value of the production, determined in accordance with the provisions of this Licence.

(4) At any time and from time to time, if The Minister of Petroleum determines that the royalty, wholly or partly, shall be paid in kind, The Minister of Petroleum shall deliver a written notice to the Licensee of his decision. Within 60 days following the date of such notice, The Minister of Petroleum and the Licensee shall agree on the basis, and place and method of measurement and delivery of such in kind royalty, consistent with the existing principles set forth in this Licence regarding royalty payments and such other customary principles for in kind royalty payments as may be adopted by the Minister of Petroleum. In no event shall the decision by The Minister of Petroleum to accept the

royalty in kind affect the payments then being made for royalty until the effective date of the commencement of the delivery of royalty in kind; and further, the delivery of royalty in kind shall not require the Ministry to bear any costs regarding Hydrocarbon production, except costs as may be incurred downstream of the delivery point of the in kind royalty.

Clause 9

(1) The royalty is chargeable at the rate provided in paragraph (3) of clause 8 on the value of the quantities of hydrocarbons on which the quarter-yearly royalty shall be levied. The value of the hydrocarbons subject to royalty shall be established based on the rules in the following paragraphs (2) through (6).

(2) The valuation of the produced hydrocarbons shall be based on the value at the following points:

a) Where the produced hydrocarbons are landed by ship: The value at the shore based terminal, port or other offtake point where the hydrocarbons are first landed, without deduction for any costs of shipping, treatment or other costs incurred prior to such point.

b) Where the produced hydrocarbons are landed via a pipeline: The value at the point where the hydrocarbons are landed at a shore based terminal or other facility on land by means of the pipeline, without deduction for the costs of transportation to such point.

c) Where the produced hydrocarbons are not subject to transportation in the manner set forth in a) or b) above, the Minister of Petroleum, in approving the production arrangements, shall determine the relevant point governing the valuation.

(3) That portion of the hydrocarbons recovered within the three month period concerned which, prior to the date of submission of the statement under paragraph (1) of clause 10, has been made subject to a binding contract of sale to an independent purchaser without prior refining or other substantial processing, shall be valued at the prices obtained from the sale pursuant to such contract, if delivery is to be made at the place which governs the valuation under paragraph (2).

(4) If the Minister of Petroleum is of the opinion that the selling price of Hydrocarbons

agreed by the Licensee does not correspond to the price the Licensee could have obtained through sale on the open market to an independent purchaser, the Minister of Petroleum shall fix the value of the quantity concerned. In his valuation, the Minister of Petroleum shall apply the values assessed in the applicable three-month period pursuant to paragraph (3) for corresponding hydrocarbons sold to independent purchasers, provided that the Minister of Petroleum finds that such sales can be considered representative of the price level. Otherwise, the valuation shall be based on the prices obtained by sales on the open market in Europe to purchasers independent of their sellers for delivery of similar grade and quality Hydrocarbons in the relevant period.

(5) Such part of the produced hydrocarbons as is not sold to an independent purchaser prior to the date referred to in the first sentence of paragraph (3) shall be valued by the Minister of Petroleum under the same rule as in paragraph (4).

(6) Where, under Sections of Act No. 26 of 21 April, 1999, concerning taxation of income derived from hydrocarbon activities, a norm price for produced hydrocarbons is established, the value of the hydrocarbons shall always be assessed on the basis of the norm price, notwithstanding the remaining provisions of this Licence.

(7) Where any information required for the calculation of royalty is not finally known at the time the statement is to be made, a provisional statement shall be issued in accordance with the provisions of clause 10. The provisional statement shall be prepared such that, as far as possible, it states the final royalty obligation in respect of the quarter-year concerned. The Minister of Petroleum may issue specific rules concerning the principles to be followed in a provisional statement.

Clause 10

(1) The royalty shall be determined quarter-yearly. Not later than 30 days after the end of each 3-month period, the Licensee shall submit to the Minister of Petroleum a statement of the royalty for the quarter year concerned. In cases where the rule in paragraph (7) of clause 9 is applicable, the statement shall contain a provisional calculation of the royalty, in conformity with the guidelines referred to in this clause.

(2) The Licensee shall furnish to the Ministry of Petroleum with the statement all

information relevant to the calculation of the royalty. Information shall be furnished on, among other things, all quantities produced, stating quality, grade and density of liquids, and calorific value and chromatographic analysis for gaseous hydrocarbons, the disposition of the quantities produced, including the terms relating to prices, delivery and all other relevant matters agreed with the individual purchasers in each sale, and any other particular circumstances which might have affected such terms. The Minister of Petroleum may issue specific rules concerning the submission of information, and may require supplementary information in individual cases.

(3) Where a final or provisional statement is not timely submitted under paragraph (1), or where information to be submitted under paragraph (2) is not furnished by a deadline set by the Minister of Petroleum, the Minister of Petroleum shall determine the royalty. Where a statement is not made in conformity with the relevant rules, and is not corrected by a deadline set by the Minister of Petroleum, the Minister of Petroleum shall also determine the royalty. When the Minister of Petroleum determines the royalty, it shall decide whether the royalty thus determined shall be final or provisional.

(4) Where, in respect of a relevant 3-month period, the royalty has been determined provisionally, the final statement shall be made with the statement of royalty for the immediately following 3-month period. Should any information required for the final statement of royalty remain unavailable, then if such information is not furnished by a deadline set by the Minister of Petroleum, the Minister of Petroleum shall determine the final royalty.

(5) Any provisionally calculated royalty and any royalty due under a final royalty statement shall be paid to the Ministry of Petroleum by the deadline for submission of the statement concerned in paragraph (1). Where the amount of the royalty is fixed by the Minister of Petroleum pursuant to paragraphs (3) or (4), payment of any royalty due shall be made not later than 7 days after the Licensee receives notice from the Minister of Petroleum of the amount of the royalty.

(6) If payment is made after the deadline in the second sentence of paragraph (1) for submission of the statement, interest shall be charged at an annual rate equal to the official discount rate set by "Danmarks Nationalbank" from time to time, plus 6% from the date the payment is due to the date of payment. Where the Minister of Petroleum

determines the amount of the royalty following paragraphs (3) or (4), interest at the same rate shall be charged from the deadline in the second sentence of paragraph (1).

(7) Where royalty is paid on the basis of a provisional statement and it is finally determined in the final statement that there was an overpayment or underpayment made in the provisional statement, the following rules shall apply. Interest shall be charged on underpayments on the difference between the provisional and the final amount of royalty for each 3-month period from the date of payment of the provisional quarter-yearly royalty until payment is made under the final statement. The rate of interest shall be an annual rate equal to the official discount rate set by "Danmarks Nationalbank" from time to time, plus 2% from the date the payment is due to the date of payment. Where an overpayment has been made so that the final statement shows a balance due to the Licensee, the Licensee shall be allowed to deduct such overpayments from the next succeeding payments of royalty.

Clause 11

(1) The Licensee undertakes to provide Faroese companies with genuine opportunities, in competition with other companies, to obtain general contracts and subcontracts, and to provide goods and services, connected with the performance of the activities under this Licence. In this connection the Licensee shall comply with such procedures as are specified by the Minister of Petroleum concerning information on planned activities under this Licence, invitation of tenders, and reporting on contractual relationships.

(2) The Licensee shall be responsible for compliance with the terms of paragraph (1) by anyone employed in its undertaking as well as by contractors, subcontractors, and any other party engaged by the Licensee for the performance of any activities in connection with this Licence.

Clause 12

The Licensee undertakes to promote and to instigate the entering into of contracts between Faroese companies and foreign companies on the building up of competence

and technological know-how within the Faroese company, where the latter takes part in the delivery of goods and services from the foreign company. In this connection the Licensee shall comply with rules regarding reporting hereon issued under section 33 of the Act on Hydrocarbon Activities.

Clause 13

(1) The Licensee undertakes to provide employment opportunities for Faroese citizens and will endeavour to give Faroese educational and research institutions and Faroese industry the opportunity to participate in research and development projects which may be undertaken in the performance of activities under this Licence. In this connection the Licensee shall comply with such reporting procedures as may be specified by the Minister of Petroleum.

(2) The Licensee shall conduct, and/or bear such expenses as are involved in, advanced theoretical and practical education of personnel employed with Faroese authorities and public institutions and Faroese companies for the purpose of providing an appropriate education of the same within the oil and gas industry.

(3) The obligations under paragraphs (2) shall be satisfied pursuant to a more specific agreement between the Licensee and the Minister of Petroleum. With respect to the exploration period referred to in Clause 5(1), this agreement shall be entered into upon the granting of this Licence. A new agreement shall be entered into in connection with the extension of the Licence pursuant to Clause 5(2).

Clause 14

The Licensee is obliged to, in accordance with Section 11(1) of the Act on Hydrocarbon Activities, to transport any equipment and passengers to and from Faroese territory via Faroese quay or Faroese airport. In special cases the Minister of Petroleum may make exemptions from this requirement.

Clause 15

(1) The Licensee's exploration and production activities shall be carried on from the Faroe Islands to the extent specified in accordance with paragraphs 2 and 3 below.

(2) Within a period of three months after the granting of this Licence, the Licensee shall submit a plan, subject to the approval of the Minister of Petroleum, concerning the organization and the location of its business onshore during the exploration period.

(3) A corresponding plan covering the production period shall be submitted to the Minister of Petroleum for approval together with the application for approval of a field development plan under the provisions of section 15(2) of the Act on Hydrocarbon Activities.

Clause 16

(1) Where the Licence is granted to several parties jointly, it is subject to the condition that a joint operating agreement concerning the performance of the activities covered by the Licence is executed not later than 90 days after the Licence has been granted. Within 30 days of the execution of such agreement, it shall be submitted to the Minister of Petroleum, who may demand, within a time limit of 90 days, that the agreement be modified on specific points prior to a deadline fixed by the Minister of Petroleum.

(2) Any amendment of, deviation from or supplement to such joint operating agreement, including the appointment of a new operator, shall be submitted to the Minister of Petroleum according to the procedure outlined in paragraph (1) above.

Clause 17

(1) Representatives of the Ministry of Petroleum shall be entitled to participate as observers in meetings of the joint committees set up pursuant to the joint operating agreement referred to in clause 16 above in accordance with section 33(5) of the Act on Hydrocarbon Activities.

(2) The Ministry of Petroleum shall be convened subject to the same notice and shall receive the same material, including minutes of meetings, as the Licensee.

Clause 18

Pursuant to section 33(4) of the Act on Hydrocarbon Activities, the owner or user of an offshore installation as well as any party acting on their behalf shall be under an obligation to grant the staff of the supervisory authority all the assistance required for their investigations. Moreover, when the supervisory authority so requests, the Licensee shall be responsible for the transportation of representatives of public authorities from their place of work to and from the location of the relevant activities, and shall also provide accommodation. The associated expenses shall be borne by the Licensee.

Clause 19

In order to ensure insight into and supervision of the Licensee's activities under this Licence, the Licensee shall submit all information required about its prospecting, exploration and production activities, as well as about its economic affairs, in accordance with the rules and regulations from time to time drawn up under section 30 of the Act on Hydrocarbon Activities.

Clause 20

(1) Members of the staff of the Ministry of Petroleum and of other public authorities and persons performing duties on a contractual basis for the aforementioned authorities shall be subject to the confidentiality obligations laid down in section 26 of the Faroese Public Administration Act and sections 152 to 152 f of the Civil Penal Code in respect of such information and samples, etc., as may be received from the Licensee under the provisions of the Act on Hydrocarbon Activities and this Licence.

(2) Such samples and other information as are covered by section 31 of the Act on

Hydrocarbon Activities may be passed on to parties other than public authorities after five years from the time when such information was produced and available to the Licensee. Should the Licence expire or be relinquished or revoked, in whole or in part, such period shall be reduced to two years with respect to information relating to the area no longer covered by the Licence.

(3) The provisions of paragraph (1) above shall not prevent the disclosure of such information and other data in the following instances:

- a) if information of a general nature is furnished in connection with the issuance of public statements, annual reports or the like concerning matters relating to exploration and production, or
- b) if information is disclosed in co-operating with the authorities of other countries, subject to the condition that similar provisions for ensuring secrecy of such information apply in the country in question. Information received from the authorities of other countries that is classified as secret or confidential, or where this is implied by the nature of the information, shall be subject to the provisions of paragraph (1) above.

Clause 21

In communications to individuals or to the public, the Licensee shall not, without the prior consent of the Minister of Petroleum, directly or indirectly quote or refer to statements or communications emanating from the Minister of Petroleum, the supervisory authority, any other public authority or any person employed by or performing duties for them that concern the probability of making discoveries, the size of hydrocarbon deposits and the timing and nature of any hydrocarbon production.

Clause 22

(1) Any equipment, procedures and units of measurement for the qualitative and quantitative measurement of hydrocarbons produced are subject to the approval of the Minister of Petroleum. Measurements shall be made on the basis of recognised and

customary methods, and shall be subject to control by the Minister of Petroleum.

(2) If it is found that the methods or equipment used has provided too low a measurement, this shortfall shall be deemed to have existed since the previous check took place, unless it is established that the shortfall has existed for a shorter or a longer period of time.

Clause 23

The Licensee shall be obligated to comply with such rules and regulations for the performance of drilling operations and other works as may be issued from time to time as a term or condition of any approval granted in pursuance of provisions of the Act on Hydrocarbon Activities.

Clause 24

If the Licence is granted to several parties jointly, they shall be jointly and severally liable for any compensation payable pursuant to Part 7 of the Act on Hydrocarbon Activities and for the satisfaction of any and all other obligations towards the Faroese Government under this Licence.

Clause 25

In order to ensure the Licensee's performance of all of its obligations and liabilities under this Licence, it shall within a period of 30 days from the granting hereof provide security in an amount and of a kind, including in the form of a parent company guarantee (comfort letter), that is acceptable to the Minister of Petroleum. Upon 30 days' notice, the Minister of Petroleum may subsequently require that such security be changed or supplemented.

Clause 26

Neither this Licence nor any interest therein may be assigned or otherwise transferred, either directly or indirectly, in whole or in part, to any third party or from one co-Licensee to another, without the prior approval of the Minister of Petroleum. Corresponding restrictions shall apply to the transfer of company shareholdings or other ownership interests in such amounts as may result in the transfer of a controlling interest in a company or other entity which is a Licensee or co-Licensee, and to the conclusion of any other agreements having the same effect. A fee may be charged for an approval granted pursuant to the first and second sentences of this clause.

Clause 27

(1) Where the rights under this Licence are relinquished during the exploration period, such relinquishment shall include the entire licence area, unless the Minister of Petroleum consents to parts of the area being relinquished.

(2) Where the term of the Licence has been extended in respect of one or more areas for the purpose of production, the Licensee may relinquish the right to any area or areas subject to one year's notice.

Clause 28

(1) Expiry, relinquishment or revocation of the Licence shall not relieve the Licensee of its obligations pursuant to legislation, this Licence or any other applicable rules and regulations, terms and conditions or orders.

(2) Where any part of the work programme laid down in Annex 2 hereto is not performed, the Licensee shall, unless the Minister of Petroleum grants an exemption, pay to the Ministry of Petroleum an amount equal to the estimated cost of performing the relevant obligation. Such cost shall be calculated in light of the expenses that would have been incurred by having other parties perform the work for the Minister of Petroleum at the time of the termination of the Licence.

(3) Payment of the amount referred to in paragraph (2) above shall not be subject to the Minister of Petroleum having the remaining work performed.

(4) Payment shall be made not later than 30 days after the Minister of Petroleum has submitted a demand for payment.

(5) In the event of overdue payments, the Licensee shall pay interest at an annual rate equal to the official discount rate set by "Danmarks Nationalbank" from time to time, plus 6% from the date the payment is due to the date of payments.

Clause 29

(1) The Licensee shall indemnify the Government of the Faroe Islands, the Ministry of Petroleum and all related parties from all claims whatsoever which may be made by any third party against them as a consequence of the Licensee's activities.

(2) The Minister of Petroleum shall notify the Licensee of any claim falling within the scope of paragraph (1) above. In the event that the Minister of Petroleum considers any such claim unjustified, the Minister of Petroleum shall reject the claim, if necessary by bringing the matter before the courts. The Licensee may join any action brought in respect of such claim in accordance with the applicable provisions of the Administration of Justice Act.

Clause 30

(1) This Licence and any activities hereunder shall be subject to the rules of law in force from time to time in the Faroe Islands, including future amendments to the Act on Hydrocarbon Activities, executive orders and decrees. Accordingly, this Licence shall not restrict the Faroe Islands' general right to levy taxes or its authority to issue general provisions concerning more specific aspects of exploration and production activities.

(2) This Licence shall not exempt the Licensee from obtaining any other licences and approvals required pursuant to the Act on Hydrocarbon Activities and legislation in

general.

Clause 31

(1) Any disputes or controversies arising out of or in connection with this Licence or with the Licensee's performance of activities under this Licence shall be resolved pursuant to the rules of law in force in the Faroe Islands, and shall be brought before a Faroese or Danish court.

(2) The venue shall be Tórshavn.

(3) Paragraphs (1) and (2) above shall not prejudice the right of the Minister of Petroleum and the Licensee to decide, in any particular case, that a dispute as referred to in paragraph (1) shall be resolved by arbitration.

ANNEX 1

to the Model Licence for Exploration for
and Production of Hydrocarbons, First Round

Area covered by the Licence, cf. clause 2(1)

The Licence covers the area in block(s) ... , as shown on the attached map, with the following corner co-ordinates:

Geographic network: ETRS89

<u>LATITUDE</u>			<u>LONGITUDE</u>		
Degree	Minutes	Seconds	Degree	Minutes	Seconds
..
..
..

ANNEX 2

to the Model Licence for Exploration for and
Production of Hydrocarbons, First Round

EXPLANATORY NOTE: The following Work Programme is for illustrative purposes only and does not necessarily represent any actual Work Programme. Each Work Programme shall be determined on the basis of individual submissions and decisions of the Minister of Petroleum.

Work Programme for the Licence, pursuant to clause 4(1)

The following work programme covers the exploration activities that the Licensee shall carry out pursuant to clause 4(1) of Licence No. ... for Exploration for and Production of Hydrocarbons, dated ,, relating to the licence area in block(s)

1. Not later than years after the Licence is issued, the Licensee shall have produced up-to-date seismic coverage of the block(s).

This corresponds to ... The seismic coverage shall be based on a grid with a ... km mesh.

2. Not later than years after the Licence is issued, the Licensee shall drill exploration wells as follows:

..... exploration well(s) shall be drilled through/to (geological formation) or to a max. depth of ... metres, whichever is reached first.

..... exploration well(s) shall be drilled through/to (geological formation) or to a max. depth of ... metres, whichever is reached first.

The wells shall be drilled in a fully satisfactory manner in terms of exploration, and the

drilling operations shall include coring, extraction of samples and test production, in accordance with any guidelines laid down by the Minister of Petroleum in connection with the approval of each individual drilling programme.

3. Satisfactory analyses and interpretations of the data collected shall be made. The Licensee shall comply with any instructions issued by the Minister of Petroleum in this respect.
4. Prior to the commencement of the work, the Licensee may obtain the opinion of the Minister of Petroleum as to whether the work planned can be considered to fulfil the obligations laid down in the work programme.
5. On the expiry of the exploration period stipulated in clause 5(1) above, the Licensee shall submit a final report to the Minister of Petroleum on the hydrocarbon potential of the relinquished area.