

Unofficial translation

MODEL LICENSE

for

Exploration for and Production of Hydrocarbons

SECOND LICENSING ROUND

Schedule B to the Act on the Second Licensing Round

Petroleum Administration

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 Trade and Industry hereby grants a license for exploration for and production of hydrocarbons within the area indicated in clause 2 hereof (the "License") 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 License thus granted shall be subject to the following conditions:

Clause 1

For the purpose of this License, 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 Trade and Industry shall determine what constitutes a hydrocarbon deposit.

Clause 2

(1) The License 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 labelled according to its south-eastern corner co-ordinates, e.g. 6105 (N 61^o, W 05^o), and it is divided into 30 blocks of 12 longitudinal minutes and 10 latitudinal minutes each. The blocks are labelled from 1 to 30 starting in the quadrant's north westernmost corner, e.g. 6103/1.

Clause 3

(1) This License 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 License shall not prevent the Minister of Trade and Industry from granting, within the area covered by this License, 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 License, (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 License do not impede unnecessarily the activities referred to in the previous sentence and any hydrocarbon exploration and production activities carried out under any other licenses, and the Petroleum Administration shall endeavour to ensure that the activities described in the previous sentence and the activities of other persons under such other licenses do not impede unnecessarily the activities to be undertaken by the Licensee under this License.

(3) Where the Licensee discovers any raw materials other than those falling within the scope of the License, the Licensee shall be obligated to notify the Petroleum Administration 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 Trade and Industry reserves the right to impose upon the Licensee specific conditions with respect thereto, including payment of a special levy in case such production becomes economically significant.

Clause 4

(1) The license term and work programme are stipulated in Annex 2. The Licensee shall during the license term carry out the exploration programme and other works as are specified in Annex 2 .

(2) Where the Licensee discovers any hydrocarbons, prompt notice thereof shall be

given to the Petroleum Administration. Not later than eight months after the completion of the well in which the discovery is made, a report shall be produced on the discovery and an appraisal 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 time schedule and 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 4(1), as specified in Annex 2 or within any extension of the exploration period granted by the Minister of Trade and Industry 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(2) hereof. The Petroleum Administration shall approve the appraisal programme.

Clause 5

(1) Any extension of the term of the License granted under section 8(2) of the Act on Hydrocarbon Activities with a view to production shall be granted by the Minister of Trade and Industry for the area delimited under paragraph (3) below for a period of 30 years from the date the extension is granted. Extensions may be granted separately for one or more areas.

(2) The right to extension referred to in paragraph (1) 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 section 4 (1), as specified in Annex 2 , the Licensee submits a request for an extension of the license 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. 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.

(3) The Minister of Trade and Industry shall undertake the delimitation of the area or areas for which the license 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 Trade and Industry to have been satisfactorily substantiated by the Licensee in connection with its request for an extension of the license 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 Trade and Industry shall take this into account in determining the extent of any additional area falling under the license and the associated depths.

(4) 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 section 4 (1), as well as the areas for which the license term is extended in accordance with paragraph (1) above shall be contiguous and be delimited by degrees of longitude and latitude, expressed in whole minutes.

Clause 6

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

condition that prior to a deadline set by the Minister of Trade and Industry 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 Trade and Industry 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 Trade and Industry may establish detailed rules 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 License on each license date as defined in paragraph 3 below. Such rental shall not be charged for producing hydrocarbon deposits delimited in accordance with clause 5(3) above. In calculating the size of the area, the figure shall be rounded up to the nearest whole km².

(2) The area rental shall amount to:

Payments 1 through 6 (License 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 license year in respect of the area comprised in the License shall be paid in advance on each license date, that is the day and month on which this License is dated and issued (the "license 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 Petroleum Administration.

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

(4) At any time and from time to time, if The Minister of Trade and Industry determines that the royalty, wholly or partly, shall be paid in kind, The Minister of Trade and Industry shall deliver a written notice to the Licensee of his decision. Within 60 days following the date of such notice, The Minister of Trade and Industry 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 License regarding royalty payments and such other customary principles for in kind royalty payments as may be adopted by the Minister of Trade and Industry. In no event shall the decision by The Minister of Trade and Industry 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 Petroleum Administration 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 Trade and Industry , 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 Trade and Industry 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 Trade and Industry shall fix the value of the quantity concerned. In his valuation, the Minister of Trade and Industry 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 Trade and Industry 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 Trade and Industry 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 License.

(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 Trade and Industry 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 Trade and Industry 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 Petroleum Administration 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 Trade and Industry 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 Trade and Industry, the Minister of Trade and Industry 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 Trade and Industry, the Minister of Trade and Industry shall also determine the royalty. When the Minister of Trade and Industry 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 Trade and Industry, the Minister of Trade and Industry shall determine the final royalty.

(5) Any provisionally calculated royalty and any royalty due under a final royalty statement shall be paid to the Petroleum Administration by the deadline for submission of the statement concerned in paragraph (1). Where the amount of the royalty is fixed by the Minister of Trade and Industry 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 Trade and Industry 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 Trade and Industry 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.

(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 License. In this connection the Licensee shall comply with such procedures as are specified by the Minister of Trade and Industry concerning information on planned activities under this License, 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 License.

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 License. In this connection the Licensee shall comply with such reporting procedures as may be specified by the Minister of Trade and Industry.

(2) The Licensee shall conduct, and/or bear such expenses as are involved in the development of Faroese industrial competence

(3) The obligations under paragraph (2) shall for the exploration period be specified in Annex 3 pursuant to a more specific agreement between the Licensee and the Minister of Trade and Industry. If the License is extended pursuant to Clause 5 (1), the work programme pursuant to paragraph (2) shall be specified in the conditions for the extension of the License.

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 Trade and Industry may make exemptions from this requirement.

Clause 15

(1) The Licensee's exploration and production activities shall be carried out 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 License, the Licensee shall submit a plan, subject to the approval of the Minister of Trade and Industry, 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 Trade and Industry 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 License 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 License is executed not later than 90 days after the License has been granted. Within 30 days of the execution of such agreement, it shall be submitted to the Minister of Trade and Industry, 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 Trade and Industry.

(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 Trade and Industry according to the procedure outlined in paragraph (1) above.

Clause 17

(1) Representatives of the Petroleum Administration 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 Petroleum Administration 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 License, 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 Petroleum Administration 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 License.

(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 License 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 License.

(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 Trade and Industry, directly or indirectly quote or refer to statements or communications emanating from the Minister of Trade and Industry, 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 Trade and Industry. Measurements shall be made on the basis of recognised and customary methods, and shall be subject to control by the Minister of Trade and Industry.

(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

If the License 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 License.

Clause 24

In order to ensure the Licensee's performance of all of its obligations and liabilities under this License, 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 Trade and Industry. Upon 30 days' notice, the Minister of Trade and Industry may subsequently require that such security be changed or supplemented.

Clause 25

Neither this License 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 Trade and Industry. 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 26

(1) Where the rights under this License are relinquished during the exploration period, such relinquishment shall include the entire license area, unless the Minister of Trade and Industry consents to parts of the area being relinquished.

(2) Where the term of the License 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 27

(1) Expiry, relinquishment or revocation of the License shall not relieve the Licensee of its obligations pursuant to legislation, this License or any other applicable rules and regulations, 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 Trade and Industry grants an exemption, pay to the Petroleum Administration 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 Trade and Industry at the time of the termination of the License.

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

(4) Payment shall be made not later than 30 days after the Minister of Trade and Industry 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 28

(1) The Licensee shall indemnify the Government of the Faroe Islands, the Petroleum Administration 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 Trade and Industry shall notify the Licensee of any claim falling within the scope of paragraph (1) above. In the event that the Minister of Trade and Industry considers any such claim unjustified, the Minister of Trade and Industry 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 29

(1) This License 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 License 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 License shall not exempt the Licensee from obtaining any other licenses and approvals required pursuant to the Act on Hydrocarbon Activities and legislation in general.

Clause 30

(1) Licensees who do not have a subsidiary company or a branch registered in the Faroe Islands, shall establish a subsidiary company or a branch not later than 3 months after the License has been granted.

Clause 31

(1) Any disputes or controversies arising out of or in connection with this License or with the Licensee's performance of activities under this License 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 Trade and Industry 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 License for Exploration for
and Production of Hydrocarbons, Second Licensing Round

NOTE: Annex 1 is for illustrative purposes only. Each license area shall be determined on the basis of individual submissions and subsequent decisions by the Minister of Trade and Industry.

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

The License 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 License for Exploration for and Production of Hydrocarbons, Second Licensing Round

NOTE: Annex 2 is for illustrative purposes only. Each work programme shall be determined on the basis of individual submissions and subsequent decisions by the Minister of Trade and Industry.

License Term and Work Programme for the License, pursuant to clause 4(1)

The following license term and work programme cover the exploration activities that the Licensee shall carry out pursuant to clause 4(1) of License No. ... for Exploration for and Production of Hydrocarbons, dated,, relating to the license area in block(s), see Annex 1.

1. The license term shall be years, divided into two parts: an initial term of years with a fixed work programme, and a term of years with a contingent work programme. If the Licensee does not intend to carry out the contingent work programme, the license shall expire at the termination of the initial license term.
2. Not later than 2 years after the License is issued, the Licensee shall have produced km of their own 2D seismic data. Of these a minimum of km shall lie within the Licensee's block(s).
3. Not later than years after the License is issued, the Licensee shall have drilled one exploration well, as follows:

The exploration well(s) shall be drilled through/to (geological formation) or to a max. depth of ... metres, whichever is reached first. The decision to drill or to relinquish the License shall be taken not later than

4. The acquisition of seismic data and the drilling of the well(s) shall be carried out in a fully satisfactory manner and pursuant to executive order on this matter.

5. Prior to the commencement of the work, the Licensee may obtain the opinion of the Minister of Trade and Industry as to whether the work planned can be considered to fulfil the obligations laid down in the work programme.

If the Licensee relinquishes the whole or part of the license area, the Licensee shall submit a final report to the Minister of Trade and Industry on the hydrocarbon potential of the relinquished area.

ANNEX 3

to the Model License for Exploration for and Production of Hydrocarbons, Second Licensing Round

NOTE:

Annex 3 is for illustrative purposes only. Each amount shall be determined on the basis of individual submissions and subsequent decisions by the Minister of Trade and Industry.

Amount for Faroese Participation, cf. Clause 13 (3)

This annex sets the amount that the Licensee shall spend on Faroese Participation pursuant to Clause 13 (3) of License no X for Exploration for and Production of Hydrocarbons, dated

1. The Licensee shall during the license term spend DKK XX million on Faroese Participation pursuant to Clause 4 (1) of the License.
2. The amount shall be spent as specified in *Guidelines for the use of grants from Licensees for industrial competence lift*, dated 25 February 2003.
3. If any parts of the amount mentioned in section 1 above have not been spent upon the expiry of the license term pursuant to Clause 4 (1), an agreement shall be entered into between the Licensee and the Petroleum Administration on the expenditure of the amount not spent for competence lift of the Faroese business community.
4. The Licensee shall as specified in Clauses 12 and 13 of *Guidelines for the use of grants from Licensees for industrial competence lift* each year submit a report to the Petroleum Administration for approval.

5. The fact that the Licensee spends the amount mentioned in section 1 above on Faroese Participation does not in any way affect the Licensee's other obligations under the License, including the obligation pursuant to Clause 11 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 License.