

Petroleum Act 1986

SEAWARD PRODUCTION INNOVATE LICENCE

DEPARTMENT OF INFRASTRUCTURE

and

CROGGA LIMITED

SEAWARD PRODUCTION ("INNOVATE")
LICENCE

to search and bore for and get petroleum

This Licence, made between the Department of Infrastructure (a department of the Isle of Man Government) (the "Department"), of the one part and the company listed in Schedule 4 (the "Licensee") of the other part, witnesseth as follows: -

RECITALS

The Department is the owner (inter alia) of Manx territorial waters adjacent to the Isle of Man as defined in the Territorial Seas Act 1987 and further defined within the Territorial Waters Order in Council 1964 (the "Territorial Waters"). The Department is the freehold owner of the seabed in the Territorial Waters.

The Department has the power under the provisions of section 2(1) of the Petroleum Act 1986 to grant to such persons as it thinks fit licences to search and bore for and get petroleum.

The Licensee has submitted an application that complies with the provisions of the Petroleum (Application for Licences) Regulations 2018 for an exploration and production licence.

The Department has decided to award an exploration and production licence to the Licensee on the terms hereof and subject to the Licensee obtaining all other consents and approvals required.

Interpretation, etc.

1. -(1) In this licence, the following expressions have the following meanings-

the "Act" means the Petroleum Act 1986;

"BGS" means the British Geological Survey;

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

"Consents" means any consent in writing, approval, permission, order or exemption that is required or may be required by the Licensee in connection with any activities to be carried out under or in connection with this licence or any extension to this licence to include but not be limited to all or any consents, approvals, permissions, orders or exemptions that are or may be required under the Act, the Harbour Act 2010, the Marine Infrastructure Management Act 2016 (the "MIMA"), the Wildlife Act 1990, the Health and Safety at Work etc. Act 1974, the Water Pollution Act 1993, the UK Petroleum Act 1998 as applies to the Isle of Man under the Petroleum Act 1998 (Application) Order 2000 and any relevant secondary legislation that may be enacted during the Term including but not limited to the Controlled Marine Area (Seismic Survey Works) Byelaws 2016 and the Controlled Marine Area (Seismic Survey Works) Regulations 2016 together with any further legislation both primary or secondary that may be introduced during any Term of the licence or any extension thereto;

"Control" means the power (directly or indirectly), whether by holding of securities, voting control, contract or otherwise, to appoint or remove the majority of a directors of a company and includes the power to appoint or remove a majority of the directors of a company if exercisable through any number of intermediate bodies corporate prior to its possible exercise over the company in question.

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"Department" means the Department of Infrastructure (a department of the Isle of Man Government);

"Development Scheme" has the meaning given by clause 27;

"Early Surrender Area" means the area (if any) specified as such in Schedule 5 to this licence;

"Early Surrender Period" means the period (if any) specified as such in Schedule 5 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 1 to this licence on the date it was granted;

"Initial Term" means the period beginning with the date on which this licence is granted and ending on the last day of Phase C;

"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 5 to this licence;

"Oil Field" has the meaning given in clause 28;

"Operator" has the meaning given in clause 24 and shall include any subcontractor appointed (with the consent in writing of the Department) by the Licensee to carry out any operations for searching or boring for or getting Petroleum under this Licence;

"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 by destructive distillation;

"Phase A" means the period (if any) of the Initial Term specified as such in Schedule 5 to this licence";

"Phase B" means the period (if any) of the Initial Term specified as such in Schedule 5 to this licence";

"Phase C" means the period of the Initial Term specified as such in Schedule 5 to this licence";

"Second Term" means the period 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 5 to this licence;

"Third Term" means the period specified as such in Schedule 5 to this licence;

"Well" includes borehole;

"Work Programme" means the programme set out in Schedule 3 to this licence.

(2) Any obligations which are to be observed and performed by the Licensee shall at any time at which the Licensee is more than one person be joint and several obligations.

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 Department, in exercise of the powers conferred upon it 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 area described in Schedule 1 to this licence provided that nothing in this licence shall affect the right of the Department to grant a methane drainage licence in respect of the whole or any part of the Licensed Area or affect the exercise of any rights granted under any such methane drainage 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.

(2) Unless sooner determined under any of its provisions, this licence shall continue-

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

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

Initial Term

4. -(1) Where a Phase A is specified but no Phase B is specified, this licence shall, unless the Department in its discretion decides otherwise, automatically cease and determine on the expiry of Phase A in the event of failure by the Licensee before expiry of that phase to-

- (a) take the actions that are described in the section of the Work Programme applicable to Phase A;
- (b) undertake to complete before the expiry of Phase C the work described in the section of the Work Programme applicable to Phase C; and
- (c) demonstrate to the satisfaction of the Department (whose decision shall be final)-
 - (i) the financial capacity of the Licensee to meet the obligations undertaken under sub-paragraph (b) 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.

(2) Where no Phase A is specified but a Phase B is specified, this licence shall, unless the Department in its discretion decides otherwise, automatically cease and determine on the expiry of Phase B in the event of failure by the Licensee before expiry of that phase to-

- (a) take the actions that are described in the section of the Work Programme applicable to Phase B;
- (b) undertake to complete before expiry of Phase C the work described in the section of the Work Programme applicable to Phase C; and

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- (c) demonstrate to the satisfaction of the Department (whose decision shall be final)-
 - (i) the financial capacity of the Licensee to meet the obligations undertaken under sub-paragraph (b) 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;
 - (d) demonstrate to the satisfaction of the Department (whose decision shall be final) that it has complied with all of its obligations under this licence applicable to Phase B (to include the requirements set out in Clauses 9A, 9B and 9C).
- (3) Where both a Phase A and a Phase B are specified
- (a) this licence shall, unless the Department in its discretion decides otherwise, automatically cease and determine on the expiry of Phase A in the event of failure by the Licensee before expiry of that phase to-
 - (i) take the actions that are described in the section of the Work Programme applicable to Phase A; and
 - (ii) undertake to complete before the expiry of Phase B the work described in the section of the Work Programme applicable to Phase B; and
 - (b) if this licence continues to Phase B, this licence shall, unless the Department in its discretion decides otherwise, automatically cease and determine on the expiry of Phase B in the event of failure by the Licensee before expiry of that phase to-
 - (i) take the actions that are described in the section of the Work Programme applicable to Phase B;
 - (ii) undertake to complete before the expiry of Phase C the work described in the section of the Work Programme applicable to Phase C; and
 - (iii) demonstrate to the satisfaction of the Department (whose decision shall be final)-
 - (aa) the financial capacity of the Licensee to meet the obligations undertaken under paragraph (ii) in addition to all of the obligations imposed by this licence; and
 - (bb) the competence of the relevant persons to organise and supervise any of the operations of searching or boring for Petroleum.
- (4) Where a deadline specified in the Work Programme for any action to be taken does not coincide with the date of expiry of any of Phases A, B and C, this licence shall, unless the Department in its discretion decides otherwise, automatically cease and determine on the expiry of that deadline in the event of failure by the Licensee to take the action required by that deadline.
- (5) The Department may decide that this licence shall not automatically cease and determine in accordance with paragraphs (1) to (4) of this clause only if the Licensee consents.
- (6) The relevant persons referred to in paragraphs (1)(c)(ii), 2(c)(ii) and (3)(b)(iii)(bb) of this clause are-
- (a) any persons nominated by the Licensee for approval under clause 24 of this licence; or
 - (b) the Licensee, where the Licensee is one person and the Licensee has not nominated anybody for such approval.

4A. - Amendments to the Work Programme

(1) This clause applies to any amendment to be made to the content of the Work Programme (including to the deadline for taking an action).

(2) At any time not later than three months before the deadline for taking an action in the Work Programme the Licensee may give notice in writing to the Department that the Licensee desires an amendment regarding that action, and the notice shall describe the proposed amendment.

(3) The Department may in its discretion permit a shorter notice period than the period of three months specified in paragraph (2).

(4) Where notice is given, the Department may in its discretion direct in writing that the Work Programme be amended as proposed.

Surrender during Initial Term

5. -(1) This clause shall apply where an Early Surrender Area and an Early Surrender Period are specified.

(2) No later than one month before the expiry of the Early Surrender Period, the Licensee may give notice in writing to the Department indicating-

(a) that they 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.

(3) This licence shall automatically cease and determine on the expiry of the Early Surrender Period unless-

(a) the Licensee has given notice in accordance with paragraph (2); or

(b) at the request of the Licensee, the Department has directed that the licence shall continue without such notice having been given.

Option to continue licence into a Second Term

6. -(1) At any time not later than one month before the expiry of Phase C of the Initial Term, or such shorter notice period as the Department in its discretion may permit, the Licensee may- subject to:-

(a) payment of the sums specified in Schedule 2;

(b) performance of the terms and conditions contained in this licence including, without limitation, the obligation set out in Clauses 9A, 9B and 9C and those conditions set out in paragraph (3) of this clause;

(c) due performance by the Licensee of the Work Programme before the expiry of Phase C of the Initial Term;

(d) the Licensee demonstrating to the satisfaction of the Department (whose decision shall be final):

(i) the financial capacity of the Licensee to meet its continuing obligations under Phase C as may be granted under this clause 6 in addition to all of its obligations under this licence: and

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(ii) the competence of the relevant persons to organise and supervise any of the operations required for its continuing obligations under Phase C as may be granted under this clause 6; and

give notice in writing to the Department 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").

(2) Where the Licensee gives notice to the Department in accordance with paragraph (1) of this clause 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 ("the Surrendered Part") in accordance with the requirements of paragraph (3) of this clause.

(3) 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.

(4) Any notice served in accordance with paragraph (1) of this clause shall specify a date not later than the expiry of Phase C of the Initial Term on which the Surrendered Part is to be surrendered.

(5) This licence shall upon the option conferred by this clause being duly exercised but subject to the provisions of clause 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 clause applies to an extension to be made to Phase A or, as the case may be, to Phase B or Phase C of the Initial Term or to the Second Term ("the relevant phase or term").

(2) At any time not later than three months before the expiry of the relevant phase or term, or such shorter notice period as the Department in its discretion permit, the Licensee may, subject to the payment of the sums specified in Schedule 2 and to performance of the terms and conditions herein contained, give notice in writing to the Department that the Licensee desires that phase or term to be extended for a further period.

(3) Where such notice is given, the Department may in its discretion direct in writing that the relevant phase or term be extended; and paragraph (2) of this clause shall apply to that phase or term as extended.

(4) Any extension shall be for a period, and subject to such conditions, as the Department may determine.

(5) Where Phase C of the Initial Term or where the Second Term is extended, clause 3 shall apply in respect of the Initial Term or the Second Term as extended.

(6) Where Phase A or Phase B of the Initial Term is extended by a period, the subsequent phase of the Initial Term shall (without prejudice to paragraph (2)) be reduced by the same amount.

(7) Where Phase C of the Initial Term is extended by a period, the Second Term shall (without prejudice to paragraph (2)) be reduced by the same amount.

- (8) Where the Second Term is extended by a period, the Third Term shall be reduced by the same amount.

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, or such shorter notice period as the Department may in its discretion permit, the Licensee may, subject to payment of those sums specified in Schedule 2 and to performance of the terms and conditions herein contained, give notice in writing to the Department that he desires this licence to continue as to a part of the Licensed Area ("the Producing Part").

(2) Such notice shall describe the Producing Part, which shall be an area that comprises no Section that is not wholly or in part the subject of a consent, approval or programme described in paragraph (3) of this clause.

(3) If such notice is given this licence shall continue in force after the expiry of the Second Term as provided by the following paragraphs of this clause in the event that before such expiry-

- (a) the Department has given a consent in pursuance of clause 17(1) of this licence and such consent is still in force upon expiry of the Second Term; or
- (b) the Department has in pursuance of clause 17(4) of this licence approved a programme submitted to it in pursuance of clause 17(2) and such approval is still in force upon expiry of the Second Term; or
- (c) the Department has served a programme on the Licensee in pursuance of clause 17(6) of this licence and such programme is still in force upon expiry of the Second Term or
- (d) the Department has obtained the approval of Tynwald of the coming into operation of all relevant provisions of the MIMA and the approval and coming into operation of any secondary legislation and or regulation required under the MIMA; or
- (e) the Licensee demonstrating to the satisfaction of the Department (whose decision shall be final) that it has complied with all of its obligations under this licence applicable up until the date of the notice including the obligations set out in Clause 9A, 9B and 9C.

(4) Where this licence continues in force by virtue of this clause it shall, subject to the provisions of clause 3 of this licence, so continue during the Third Term.

Power further to extend term of Licence

9. -(1) Where this licence is continued in force by virtue of clause 8 of this licence to the end of the Third Term, the Department, on application being made to it in writing not later than three months before the expiry of such period, may in its discretion agree with the Licensee that this licence shall continue in force thereafter for such further period as the Department 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 Department and the Licensee may then agree is appropriate.

(2) The Department may in its discretion accept an application for extension of this licence made less than three months before the expiry of the Third Term.

9A. - Consents

Prior to the carrying out of any activities permitted by this licence the Licensee shall obtain, to the satisfaction of the Department, all necessary Consents required relevant to those activities and the Licensee shall be required to comply with the terms and provisions of such Consents during this licence and any extension thereto or until such time as those Consents are no longer required.

9B – Compliance

The Licensee shall, in the performance of their obligations under this Licence comply with all applicable statutes, regulations and orders as may applicable at the time being in force.

9C – Insurance

(1) Throughout the Term of this Licence (or for such periods as the Department shall in their discretion agree) the Licensee or (if the Licensee, with the consent in writing of Department wishes to appoint an Operator under the provisions of Clause 24 and subject to the provisions of clause 9C(2) below), any Operator appointed, shall maintain insurance for such risks and at such levels as the Department shall reasonably require which will not be less than the following :

THIRD PARTY LIABILITY - All sums which the Insured shall become legally liable to pay to any third party arising directly or indirectly in connection with the Work

Limit: not less than £10,000,000

CONSTRUCTIONAL PLANT AND EQUIPMENT - Loss or damage to constructional plant, tools, equipment, temporary buildings (including contents therein) belonging to or the responsibility of the *Licensee*

Limit: For such sum as the Licensee considers appropriate but in any event not less than the replacement value of Licensee's Equipment

HULL AND MACHINERY - Marine hull and Machinery insurance including war risk coverage, and collision liability.

Limit: For such sum that is not less than the full value of said vessel any one occurrence

PROTECTION AND INDEMNITY (P&I) - Protection and Indemnity insurance including wreck and debris removal and pollution liability

Limit: not less than USD 50,000,000 together with additional cover equal to the value of the vessel

EMPLOYERS' LIABILITY / WORKER COMPENSATION/ OCCUPATIONAL DISEASES - Liability for death of or bodily injury or illness sustained by employees of the *Licensee* arising out of or in the course of their employment in connection with this Licence

Limit: In compliance with all applicable laws but no less than £10,000,000

PROFESSIONAL INDEMNITY - All sums that the *Licensee* shall become legally liable to pay arising directly or indirectly in connection with the Work in respect of any negligent act error or omission.

Limit: not less than £10,000,000

(2) If, during the Term of this Licence (or for such periods as the Department shall in their discretion agree) the Licensee wishes to appoint an Operator under the provisions of Clause 24 the Licensee shall use its best endeavours to ensure that any Operator appointed shall maintain insurance for such risks and such levels as the Department shall reasonably require to meet the provisions of clause 9C(1) and the Licensee shall

provide evidence of the maintenance of such insurance to the Department upon demand.

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 Department 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 clause 5, 6 or 10 of this licence and any area accordingly retained by them shall, unless the Department has otherwise agreed in writing before the date on which the appropriate notice is given by the Licensee to the Department -

(a) be bounded by minute lines of latitude and minute lines of longitude;

and

(b) subject always to paragraph (2) of this clause have boundaries which, whether they run north and south or east and west, either coincide with the corresponding boundaries of the Block.

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

(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 Department as consideration for the grant of this licence payments in accordance with Schedule 2 to this licence.

(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 Department pursuant to this licence before the date of determination or surrender.

Provision of contact details to Department

13. -(1) A notice, direction or other document authorised or required (in whatever terms) to be given to the Licensee by virtue of this licence is treated as given to the Licensee if it is given to the person specified by the Licensee under paragraph (2) at the address so specified.

(2) The Licensee must supply the Department with the name and address of a person to whom notices, directions and other documents are to be given.

(3) The Licensee must ensure that, where there is a change in the person to whom, or the address to which, information should be sent in accordance with paragraph (2), the Department is notified of the change as soon as is reasonably practicable.

(4) If the Licensee fails to comply with paragraph (2) the Department may give the Licensee a notice which-

- (a) requires the Licensee to comply with paragraph (2) within the 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 under paragraph (2) the name and address specified by the Department 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 Department all Petroleum won and saved from the Licensed Area.

(2) If and to the extent that the Department so directs, the duty imposed by paragraph (1) of this clause shall be discharged separately in relation to Petroleum won and saved from each Well producing Petroleum from a part of the Licensed Area which is not within such an Oil Field.

(3) If and to the extent that the Department 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; and 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.

(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 Department and the Department may in any case require that no alteration shall be made save in the presence of a person authorised by the Department.

(5) The Department 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 Department's direction.

(6) If any measuring or weighing appliance shall upon any such test or examination as is mentioned in paragraph (5) of this clause be found to be false or unjust the same shall if the Department so determines after considering any representations in writing made by the Licensee be deemed to have existed in that condition during the period since the last occasion upon which the same was tested or examined pursuant to paragraph (5) of this clause.

Keeping of accounts

15. -(1) The Licensee shall keep within the Isle of Man full and correct accounts in a form from time to time approved by the Department 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;

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- (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 therefor and the place to which the Petroleum was conveyed pursuant to the agreement for such supply;
- (d) such information as the Department may require to ensure that they are able to administer and collect all monies which may be due under the Petroleum (Royalties) Regulations 2018 (as may be amended or superceded).
- (e) such other particulars as the Department may from time to time direct.

(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 Department 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.

(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.

(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 Department an abstract in a form from time to time approved by the Department of the accounts for that Half Year or for the period prior to such expiration or determination as the case may be.

Working obligations

16. -(1) The Licensee shall before the expiry of Phase C of the Initial Term carry out the Work Programme.

(2) If at any time the Department serves a notice in writing on the Licensee requiring him to submit to the Department, before a date specified in the notice, an appropriate programme for exploring for Petroleum in the Licensed Area during a period so specified, the Licensee shall comply with the notice; and for the purposes of this paragraph an appropriate programme is one which any person who, if he-

- (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,

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.

(3) If a programme is submitted to the Department in consequence of a notice served by it in pursuance of paragraph (2) of this clause, then-

- (a) it shall not be entitled to revoke this licence on the ground that the programme does not satisfy the requirements of that paragraph ("the Relevant Requirements"); but

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(b) if it is of the opinion that the programme does not satisfy the Relevant Requirements it may serve a notice in writing on the Licensee stating its opinion and the reasons for it.

(4) Where notice in respect of a programme is served on the Licensee in pursuance of paragraph (3) of this clause 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 clause 43 of this licence, 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 Department a further programme which satisfies the Relevant Requirements,

and where it is determined in consequence of any reference to arbitration in pursuance of sub-paragraph (a) of this paragraph that the programme in question does not satisfy the Relevant Requirements the Licensee shall submit to the Department, as soon as possible after the date of the determination, a further programme which satisfies the Relevant Requirements.

(5) The Licensee shall carry out any programme submitted by him in pursuance of this clause as to which either-

- (a) the Department serves notice in writing on the Licensee stating that the Department 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 Department in pursuance of this paragraph shall be deemed for the purposes of this licence to satisfy the Relevant Requirements.

(6) Where, in consequence of any breach or non-observance by the Licensee of any provision of paragraph (2), (4) or (5) of this clause, the Department has power by virtue of paragraph (1) of clause 41 of this licence to revoke this licence, it may if it thinks fit exercise that power in relation to such part only of the Licensed Area as it may specify; and where it does so 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.

(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 Department may serve notice in pursuance of paragraph (2) of this clause in respect of another part of that term.

Development and production programmes

17. -(1) The Licensee shall not-

- (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,

except-

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- (a) with the consent in writing of the Department, (which shall be given at its discretion)
- (b) in accordance with a programme which the Department has approved or served on the Licensee in pursuance of the following provisions of this clause.

(2) The Licensee shall prepare and submit to the Department, in such form and by such time and in respect of such period during the term of this licence as the Department may direct, a programme specifying-

- (a) the Relevant Works which the Licensee proposes to erect or carry out during that period for either of the purposes mentioned in paragraph (1)(a) of this clause;
- (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-

- (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 Department,

the Licensee proposes to get as mentioned in paragraph (1)(b) of this clause.

(3) If the Department directs the Licensee-

- (a) to prepare different programmes in pursuance of paragraph (2) of this clause in respect of Petroleum from such different parts of the Licensed Area as are specified in the direction; or
- (b) where a programme approved or served in pursuance of this clause relates to a particular period during the term of this licence, to prepare a programme or programmes in pursuance of paragraph (2) of this clause in respect of a further period or further periods during that term,

the Licensee shall comply with the direction

(4) It shall be the duty of the Department expeditiously to consider any programme submitted to it in pursuance of paragraph (2) of this clause and when it has done so to give notice in writing to the Licensee stating-

- (a) that the Department approves the programme; or
- (b) that the Department 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 Department; or
- (c) that the Department 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 paragraph (2) of this clause would be contrary to good oilfield practice;
- (ii) that the proposals included in the programme in pursuance of the sub-paragraph (c) of the said paragraph (2) are, in the opinion of the Department, not in the national interest,

and a notice in pursuance of sub-paragraph (b) of this paragraph may contain different conditions in respect of different works but shall not be given unless the Department is satisfied that the condition mentioned in the notice is required in the national interest.

(5) Where the Department gives notice of rejection of a programme in pursuance of sub-paragraph (c) of paragraph (4) of this clause, then-

(a) if the grounds of the rejection consist of or include the ground mentioned in paragraph (i) of that sub-paragraph it shall include in the notice a statement of the matters in consequence of which it rejected the programme on that ground; and

(b) if the grounds of the rejection consist of or include the ground mentioned in paragraph (ii) of that sub-paragraph it shall include in the notice a statement of the rates at which it considers that, in the national interest, Petroleum should be got from the area to which the programme relates; and

(c) the Licensee shall prepare and submit to the Department before the time specified in the notice-

(i) where the notice contains such a statement as is mentioned in sub-paragraph (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 sub-paragraph (b) above, 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,

but the Licensee shall not be required by virtue of paragraph (i) of this sub-paragraph to submit modifications if it is determined in consequence of any reference to arbitration in the manner provided by clause 43 of this licence that the carrying out of the programme without modifications would not be contrary to good oilfield practice.

(6) If the Department gives notice in writing to the Licensee that the Department approves the modifications of a programme which have been submitted to it in pursuance of sub-paragraph (c) of paragraph (5) of this clause, the programme with those modifications shall be deemed to be approved by the Department; but if the Licensee fails to perform the duty imposed on him by that sub-paragraph the Department may, if it thinks fit, instead of revoking this licence in consequence of the failure, serve on the Licensee such a programme as the Department considers that the Licensee should have submitted to it in respect of the area and period to which the rejected programme related.

(7) Where the Department proposes to approve a programme subject to a condition in pursuance of paragraph (4)(b) of this clause or to reject a programme in pursuance of paragraph (4)(c) of this clause or to serve a programme on the Licensee in pursuance of paragraph (6) of this clause it shall before doing so-

(a) give the Licensee particulars of the proposal and an opportunity to make representations to the Department 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 it by the Licensee.

(8) The Licensee shall carry out any programme approved or served on him by the Department in pursuance of this clause or, if such a programme is varied in pursuance of clause 18 of this licence, the programme as so varied except in so far as the Licensee is authorised in writing by the Department to do

otherwise or is required to do otherwise by such a condition as is mentioned in paragraph (4)(b) of this clause; but if it is necessary to carry out certain works in order to comply with provisions included in a programme by virtue of paragraph (5)(c) of this clause or provisions of a programme served on the Licensee in pursuance of paragraph (6) of this clause or provisions of a programme as varied in pursuance of clause 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.

(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 Department in pursuance of clause 17(1) of this licence may be given subject to such conditions as are specified in the document signifying the consent and may in particular, without prejudice to the generality of the preceding provisions of this paragraph, be limited to a period so specified.

(2) Where

- (a) the Department gives notice in respect of a programme in pursuance of paragraph (4)(a) or (b) or paragraph (6) of clause 17 of this licence or serves a programme in pursuance of the said paragraph (6); or
- (b) it is determined in consequence of any reference to arbitration in the manner provided by clause 43 of this licence that the Licensee is not required by virtue of paragraph (i) of clause 17(5)(c) of this licence to submit modifications of a programme in respect of which notice of rejection containing such a statement as is mentioned in the said paragraph (i) was given by the Department in pursuance of clause 17(4)(c) of this licence,

the Department may give to the Licensee, with the notice given or the programme served as mentioned in sub-paragraph (a) of this paragraph or, in a case falling within sub-paragraph (b) of this paragraph, within the period of three months beginning with the date of the arbitrator's or arbiter's determination, a notice (hereafter in this clause referred to as a "Limitation Notice") authorising the Department, by a further notice given to the Licensee from time to time after the expiration of the period specified in the Limitation Notice, to provide that the programme to which the Limitation Notice relates shall have effect while the further notice is in force with the substitution for any quantity of Petroleum or any period specified in the programme in pursuance of clause 17(2)(c) of this licence of a different quantity of Petroleum or a different period specified in the further notice.

(3) A quantity or period specified in such a further notice as that to be substituted for a quantity or period which is specified in the programme in question shall be such as to secure that the expenditure to be incurred by the Licensee in complying with the further notice, in a case where an effect of the notice is to increase the quantity of Petroleum which the Licensee is required to get from the Licensed Area in any period, is less than the cost of drilling a new Well in the Licensed Area at the time when the further notice is given.

(4) Where the Department proposes to give a Limitation Notice or any such further notice as aforesaid it shall before doing so-

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- (a) give the Licensee particulars of the proposal and an opportunity to make representations to the Department 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 it by the Licensee,

and the Department shall not give such a further notice of which an effect is to increase the quantity of Petroleum which the Licensee is required to get from the Licensed Area during any period unless the Department is satisfied that the notice is required by reason of a national emergency and shall not give any other such further notice as aforesaid unless it is satisfied that the notice is required in the national interest.

(5) A Limitation Notice or any such further notice as aforesaid may-

- (a) specify any quantity or period by reference to such factors as the Department thinks fit; and
- (b) in the case of such a further notice, contain provisions as to-
 - (i) the date when the notice is to come into force;
 - (ii) the date when the notice is to cease to be in force,and specify different dates in pursuance of this sub-paragraph for different provisions of the notice,

and the Department may revoke such a further notice at a particular time by serving on the Licensee a notice in writing stating that the further notice is revoked at that time.

(6) Any question arising under clause 17 of this licence or this clause as to what is, is not or is required in the national interest or as to what is, is not or is required by reason of, a national emergency shall be determined by the Department.

(7) The Licensee shall ensure that any conditions to which an approval is subject in pursuance of clause 17(4)(b) of this licence or to which a consent is subject in pursuance of paragraph (1) of this clause are complied with.

(8) If in respect of part of the Licensed Area

- (a) a consent has been granted in pursuance of paragraph (1) of clause 17 of this licence; or
- (b) the Licensee has submitted to the Department, in accordance with a direction given by virtue of paragraph (3)(a) of that clause, a programme in pursuance of paragraph (2) of that clause-
 - (i) as respects which the Department has served notice in pursuance of paragraph (4)(a) or (b) or paragraph (6) of that clause; or
 - (ii) in consequence of which the Department has served a programme on the Licensee in pursuance of the said paragraph (6); or
 - (iii) in respect of which it has been determined in consequence of any reference to arbitration in the manner provided by clause 43 of this licence that the Licensee is not required by virtue of paragraph (5)(c)(i) of that clause to submit modifications,

paragraph (1) of clause 41 of this licence shall not authorise the Department to revoke this licence in relation to that part of the Licensed Area in consequence of any breach or non-observance, while the consent is in force or during the

period to which the programme relates, of any provision of the said clause 17 in connection with a different part of the Licensed Area.

(9) Where in consequence of any breach or non-observance by the Licensee of any provision of clause 17 of this licence the Department has power by virtue of paragraph (1) of clause 41 of this licence to revoke this licence or, in consequence of paragraph (8) of this clause, to revoke it in respect of part only of the Licensed Area, it may if it thinks fit-

- (a) in a case where it has power to revoke this licence, exercise the power in relation to such part only of the Licensed Area as it may specify; and
- (b) in a case where by virtue of the said paragraph (8) it has power to revoke it in respect of part only of the Licensed Area, exercise the power in relation to such portion only of that part as it may specify,

and where in consequence of the said paragraph (8) or by virtue of the preceding provisions of this paragraph the Department revokes this licence in respect of a part or portion of the Licensed Area, the rights granted by this licence shall cease in respect of that part or portion without prejudice to any obligation or liability imposed upon the Licensee or incurred by him under the terms of this licence.

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 Department.

(2) Subject to paragraph (6), the Licensee shall not abandon any Well without the consent in writing of the Department.

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

(4) If any such condition under paragraph (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 paragraph (1) or paragraph (2) of this clause relates to any plugging or abandoning of the Well, the Department 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 Department's direction and the Licensee shall pay to any such person or to the Department such fees and expenses for such examination as the Department may specify.

(5) The plugging of any Well shall be done in accordance with a specification approved by the Department 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.

(6) The Department 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 paragraph (5) within the period specified in the notice (but this paragraph is subject to paragraphs (8) and (9)).

(7) The Licensee shall comply with any notice under paragraph(6).

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(8) A notice under paragraph (6) 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.

(9) A notice under paragraph (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.

(10) Subject to paragraphs (6) to (7) and (11) and (12) of this clause, any Well drilled by the Licensee pursuant to this licence shall be plugged and abandoned in accordance with paragraphs (2), (3), (4) and (5) of this clause, 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.

(11) A direction by the Department 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 situate expire or determine so as to relieve the Licensee of the obligation imposed by paragraph (10) of this clause to plug and abandon the Well.

(12) Where the Department revokes this licence, any Well drilled by the Licensee pursuant to this licence shall-

(a) be plugged and abandoned in accordance with paragraphs (2), (3), (4) and (5) of this clause, as soon as reasonably practicable; or

(b) if the Department 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.

(13) Any well that, pursuant to a direction by the Department under paragraph (11) of this clause, 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.

(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, or at the completion of any works required of the Licensee under paragraph (12) of this clause (whichever is the later), shall be the property of the Department.

Distance of Wells from boundaries of Licensed Area

20. No Well shall except with the consent in writing of the Department 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 Department and in accordance with the conditions, if any, subject to which the consent is given.

(2) When work on the drilling of a Development Well is suspended in accordance with paragraph (1) of this clause, the Licensee shall forthwith furnish the

Department with such information relating to the Well as the Department may specify.

(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 Department in respect of the Well;

(b) shall furnish to the Department, 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 Department and in accordance with the conditions, if any, subject to which the consent is given.

(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 they use or intend 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 as provided by clause 19 of this licence 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 and 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.

(2) The Licensee shall comply with any instructions from time to time given by the Department 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

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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 clause 43 of this licence.

(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 Department and in accordance with the conditions, if any, of the consent.

(4) An application for consent in pursuance of paragraph (3) of this clause must be made in writing to the Department and must specify the date on which the Licensee proposes to begin the flaring or use in question; and subject to paragraph (5) of this clause that date must not be before the expiration of the period of two years beginning with the date when the Department receives the application.

(5) If the Department gives notice in writing to the Licensee stating that, in consequence of plans made by the Licensee which the Department considers are reasonable, the Department will entertain an application for consent in pursuance of paragraph (3) of this clause which notice specifies a date after the expiration of a period mentioned in the notice which is shorter than the period mentioned in paragraph (4) of this clause, an application made in consequence of the notice may specify, as the date on which the applicant proposes to begin the flaring or use in question, a date after the expiration of that shorter period.

(6) Before deciding to withhold consent or to grant it subject to conditions in pursuance of paragraph (3) of this clause, the Department shall give the Licensee an opportunity to make representations in writing to the Department 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 it by the Licensee.

(7) Consent in pursuance of paragraph (3) of this clause 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 Department 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 Department to do so.

(8) The Licensee shall give notice to the Department 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 the Isle of Man Coastguard (a division of the

Department) and the Environment Directorate of the Department of Environment Fisheries and Agriculture (a department of the Isle of Man Government).

(9) The Licensee shall comply with any reasonable instructions from time to time given by the Department 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; but where the Department proposes to give such instructions it shall before giving them-

- (a) give the Licensee particulars of the proposal and an opportunity to make representations to the Department about the proposal; and
- (b) consider any representations then made to it by the Licensee about the proposal.

Provided always that the Department shall accept proof that the Licensee has adequate insurance to cover the potential liability for damage attributable to the release or escape of Petroleum in lieu of the Department requiring that the Licensee has such funds available. Adequate insurance for the purposes of this clause 23 (9) shall mean insurance that has been approved by the Department (such approval to be given or withheld at the discretion of the Department).

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 or the carrying out of, 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 Department and the function in question is one to which that approval relates.

(2) The Department shall not refuse to give its approval of a person in pursuance of paragraph (1) of this clause 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 Department may, by notice in writing given to the Licensee, revoke its approval.

(3) The Licensee shall procure and use its best endeavours to ensure that all Operators appointed pursuant to this Clause 24 undertake in writing to comply, and do comply, with the provisions of this Licence and undertake in writing to carry out any function referred to in Clause 24(1) with all due skill, diligence and care. Notwithstanding the appointment of any Operator, the Licensee shall remain liable to the Department for all acts or omissions of or loss directly or indirectly caused by any Operator as if such acts or omissions were those of or such loss was caused by the Licensee.

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.

The Licensee shall ensure the appointed fisheries liaison officer (as defined in clause 46) engages with the Department of Environment, Food and Agriculture and any

other relevant representatives from the Fisheries Industry (and in particular the Manx Fish Producers Organisation, MFPO) prior to any operations authorised by this licence being carried out.

Training

26. -(1) The Department 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.

(2) The Department shall not give instructions in pursuance of paragraph (1) of this clause unless the Department (as applicable) has consulted as to the provisions proposed to be included in such instructions the Isle of Man Health and Safety Authority or such other body of a like nature as may from time to time be carrying on activities of a substantially similar kind to those at present performed by the said Board.

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

Unit development

27. -(1) If at any time at which this licence is in force the Department 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 Department 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 this clause shall apply.

(2) Upon being so required by notice in writing by the Department 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 Department.

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

(4) If a Development Scheme is not submitted to the Department within the period so stated or if a Development Scheme so submitted is not approved by the Department, the Department may itself 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.

(5) If the Licensee objects to any such Development Scheme prepared by the Department 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 Department refer the matter to arbitration in the manner provided by clause 43 of this licence.

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

Directions as to Oil Fields across boundaries

28. -(1) Where the Department 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 Department's powers to grant licences pursuant to the Act do not apply and the Department 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 Department may from time to time by notice in writing give to the Licensee such directions as the Department may think fit, as to the manner in which the rights conferred by this licence shall be exercised.

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

(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 Department of seismic survey results, reports and data, whether seismic or otherwise, 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 to be identified by GIS coordinates in the WGS84 projection;
- (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 Department may from time to time direct.

(2) The Licensee shall keep within the Isle of Man 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.

(3) The Licensee shall deliver copies of the said records, plans and maps referred to in the two foregoing paragraphs to the Department 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 Department 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 Department of the progress of his operations in the Licensed Area. Such return shall contain-

- (a) a statement of all geological work, including surveys (including but not limited to seismic 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 its coordinates as required in 29 (1) (a)), 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.

(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 Department an annual return in a form from time to time approved by the Department 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 Department 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.

(3) The Licensee shall furnish the Department with such information as the Department 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, except that 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.

(3A) The functions of the Department under paragraph (3) shall be exercisable concurrently by the Treasury (a Department of the Isle of Man Government).

(4) The Licensee shall comply with any request for information made in accordance with paragraph (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.

(2) The Licensee shall not dispose of any sample after the expiry of the said period of five years unless-

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- (a) he has at least six months before the date of the disposal given notice in writing to the Department of his intention to dispose of the same; and
- (b) the Department has not within the said period of six months informed the Licensee in writing that it wishes the sample to be delivered to it.

(3) The Department shall be entitled at any time-

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

(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. All records, returns, plans, maps, samples, accounts, reports, data, survey results 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 Department or the Crown-

Provided that-

- (a) the Department 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 Department by law;
- (b) the Department shall be entitled at any time to furnish any of the specified data to advisers and consultants of the Department and to the BGS (or similar body) and any other body of a like nature as may from time to time be carrying on activities of a substantially similar kind to the geological activities at present carried on by the said BGS;
- (c) the Department (or their advisers or consultants on behalf of the Department) and the BGS 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 Department, (or their advisers or consultants on behalf of the Department) and the BGS 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 Department in accordance with clause 29 or 30 of this licence, or if earlier, the date when the Department 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 Department may determine after considering any representations made to it by the Licensee about the publication of data in pursuance of this subparagraph.

Inspection of records etc.

33. The Licensee shall

- (a) permit any person who is appointed by the Department 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 Department is entitled to obtain information in pursuance of clauses 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 Department 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 Department 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 clauses 14, 19, 22 or 23, of this licence, the Department shall be entitled, after giving to the Licensee reasonable notice in writing of its intention, to execute any works and to provide and install any equipment which in the opinion of the Department 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 Department may (as an additional remedy and without prejudice to any other rights and remedies to which it 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 incidental to such distress and sale and shall pay the surplus (if any) to the Licensee.

Diligence

37. 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 Department may (as an additional remedy and without prejudice to any other rights and remedies to which it would be entitled) do diligence in respect thereof in like manner as a landlord may do diligence in respect of unpaid arrears of rent and such diligence shall be effectual to attach all or any of the stocks of Petroleum, engines, machinery, tools, implements and other effects belonging to the Licensee which shall be found on or about 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 where in pursuance of such a diligence a sale of such effects as shall have been attached thereby takes place the Department may out of the proceeds thereof retain and pay all the arrears of the said payments and also the expenses of such incident to such diligence and sale and shall pay the surplus thereof (if any) to the Licensee.

Indemnity

38. The Licensee shall at all times keep the Department effectually indemnified against all actions, proceedings, costs, charges, claims and demands whatsoever which may be made or brought against the Department 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 the Department has 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 Department and in accordance with the conditions (if any) of the consent do anything whatsoever whereby, under the law (including the rules of equity) of any other place other than the Isle of Man, 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.

(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) of this clause if the person by whom such surveys are to be carried out is-

(a) the holder of a licence granted by the Department 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 Department to search and bore for, and get, Petroleum in an area adjacent to the Licensed Area,

and if the information intended to be obtained by such survey is reasonably necessary to enable that holder more efficiently to exercise the rights granted by the licence which he holds from the Department.

(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 Department 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.

(i) The Licensee shall not, without the consent of the Department, 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 paragraph (3) of this clause.

(4) 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, unless the terms of the agreement have been approved in writing by the Department, but 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 Department 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.

(2) The events referred to in the foregoing paragraph are

- (a) any payments mentioned in clause 12(1) of this licence 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;

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- (b) any breach or non-observance by the Licensee of any of the terms and conditions of this licence;
- (c) in the Isle of Man, the bankruptcy or sequestration of the Licensee;
- (d) in the Isle of Man, the making by the Licensee of any arrangement or composition with his creditors;
- (e) in the Isle of Man, 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 Isle of Man, the commencement of any procedure or the making of any arrangement or appointment substantially corresponding to any of those mentioned in sub-paragraphs (c) to (e) of this paragraph;
- (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 Isle of Man;
- (i) any breach of a condition subject to which the Department gave its approval in pursuance of clause 40(3) of this licence;
- (j) any breach of clause 40(5) of this licence;
- (k) a change to any applicable law which (in the reasonable opinion of the Department) renders compliance by the Department or the Licensee with the terms of this Licence unreasonable or unlawful;

and where two or more persons are the Licensee any reference to the Licensee in sub-paragraphs (c) to (h) of this paragraph is a reference to any of those persons.

In the event that this licence is revoked pursuant to clause 41(1), the Department shall not be liable to the Licensee for any loss, damage, expense or liability, including but not limited to loss of profits or future loss of profits, resulting from any such revocation of this licence.

(3) The Department may revoke this licence, with the like consequences as are mentioned in paragraph (1) of this clause, if-

- (a) the Licensee is a company; and
- (b) there is a change in the control of the Licensee; and
- (c) the Department serves notice in writing on the Licensee stating that the Department 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 further change does not take place within that period.

(4) There is a change in the Control of the Licensee for the purposes of paragraph (3)(b) of this clause 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);

(5) Where two or more persons are the Licensee and any of them is a company, paragraphs (3) and (4) of this clause shall have effect as if-

- (a) sub-paragraph (a) of paragraph (3) were omitted;

Licence 1

(b) in sub-paragraph (b) of that paragraph, after the word "of" there were inserted the words "any company included among the persons who together constitute"; 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 clause 41(3) are satisfied in relation to one of those persons.

(2) Where this clause applies, the Department may exercise the power of revocation in clause 41 to revoke the licence in so far as it applies to the person mentioned in paragraph (1)(a) or (b).

(3) If the Department 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.

(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.

Arbitration

43. -(1) If at any time any dispute, difference or question shall arise between the Department and the Licensee as to any matter arising under or by virtue of this licence or as to their respective rights and liabilities in respect thereof then the same shall, except where it is expressly provided by this licence that the matter or thing to which the same relates is to be determined, decided, directed, approved or consented to by the Department, be referred to arbitration as provided by the following paragraphs.

(2) The arbitration referred to in the foregoing paragraph shall be by a single arbitrator who, in default of agreement between the Department and the Licensee and, in the case of arbitration in relation to a Development Scheme, other Licensees affected by that scheme, as to his appointment, shall be appointed by the President of the Isle of Man Law Society for the time being.

(3) 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.

Ministry of Defence

44. -(1) The Licensee shall give the Ministry of Defence (a Department of the UK Government) six months' prior notice of any installation movements within a Block.

(2) The Licensee shall give the Ministry of Defence six weeks' prior notice of any seismic survey within a Block.

(3) The Licensee shall at his own expense, install and maintain underwater sonar beacons to Ministry of Defence 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 Department of the result of such consultations, agree with it 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 English is a member of the crew of the supply vessel.

(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 Department of the result of such consultation. If as a result of such consultation the Department determines that the method of clearance of debris should be modified, such modifications shall be observed by the Licensee.

(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.

Straight to Second Term Licence

46. -(1) If no Initial Term is specified in Schedule 5 to this licence, this licence applies with the following modifications.

(2) In clause 1(1), the following definitions are omitted

- (a) "Early Surrender Area";
- (b) "Early Surrender Period";
- (c) "Initial Licensed Area";
- (d) "Initial Term";
- (e) "Mandatory Surrender Area";
- (f) "Phase A";
- (g) "Phase B";
- (h) "Phase C"; and
- (i) "Work Programme".

- (3) For clause 3(2) there is substituted
"(2) Unless sooner determined under any of its provisions, this licence shall continue-
- (a) for the Second Term, subject to clause 10;
 - (b) for the Third Term, subject to clauses 8 and 10."
- (4) The following clauses are omitted
- (a) clause 4,
 - (b) clause 4A,
 - (c) clause 5, and
 - (d) clause 6.
- (5) For clause 7 there is substituted
"7. - Extension of the Second Term
- (1) This clause applies to an extension to be made to the Second Term.
 - (2) At any time not later than three months before the expiry of the Second Term, or such shorter notice period as the Department may in its discretion permit, the Licensee may, subject to payment of the sums specified in Schedule 2 and to performance of the terms and conditions herein contained, give notice in writing to the Department that the Licensee desires that term to be extended for a further period.
 - (3) Where such notice is given, the Department may in its discretion direct in writing that the Second Term be extended; and paragraph (2) of this clause shall apply to that term as extended.
 - (4) Any extension shall be for a period, and subject to such conditions, as the Department may determine.
 - (5) Where the Second Term is extended, clause 3 shall apply in respect of that term as extended.
 - (6) Where the Second Term is extended by a period, the Third Term shall be reduced by the same amount."
- (6) In clause 11(1) and (2), "5, 6 or" is omitted.
- (7) Clause 16(1) is omitted.

47. GOVERNING LAW

This licence will be governed and construed in accordance with the laws of the Isle of Man.

IN WITNESS WHEREOF these presents consisting of this and the preceding pages, together with the Schedules annexed, are executed as follows:

Signed for and on behalf of the Department of Infrastructure (a department of the Isle of Man Government) by:

[Redacted] (signature) _____ (full name)
[Redacted] (position) _____

on 5th October 2018 (date), at Sea Terminal
Douglas (town),

In the presence of this witness:

[Redacted] (signature) [Redacted] (full name) of

DEPT. INFRASTRUCTURE (address).
SEA TERMINAL
DOUGLAS

Signed* for and on behalf of **CROGGA LIMITED** by:

[Redacted] (signature) _____ (full name) (Director / ~~Secretary / other authorised person~~ - delete as appropriate)

on 5th October 2018 (date), at
Ballasalla (town), and either:

[Redacted] (signature) [Redacted] (full name) (Director / ~~other authorised person~~ - delete as appropriate)

on 5 October 2018 (date), at
Ballasalla (town), or in the presence of this witness:
_____ (signature) _____ (full name) of _____ (address).

**THIS IS SCHEDULE 1 REFERRED TO IN THE FOREGOING LICENCE BETWEEN
THE DEPARTMENT AND CROGGA LIMITED**

Description of Licensed Area

IOM Blocks 112/25, 113/16, 113/21:

LAT DMS	LONG DMS
N 54° 19' 57.01"	W 4° 12' 5.76"
N 54° 19' 57.02"	W 4° 0' 5.75"
N 54° 23' 6.30"	W 4° 0' 5.75"
N 54° 22' 59.50"	W 4° 0' 0.35"
N 54° 22' 52.10"	W 3° 59' 54.54"
N 54° 22' 44.80"	W 3° 59' 48.93"
N 54° 22' 36.22"	W 3° 59' 42.62"
N 54° 22' 27.47"	W 3° 59' 36.38"
N 54° 22' 19.02"	W 3° 59' 30.55"
N 54° 22' 9.97"	W 3° 59' 24.53"
N 54° 21' 58.20"	W 3° 59' 17.10"
N 54° 21' 46.36"	W 3° 59' 10.02"
N 54° 21' 37.69"	W 3° 59' 5.13"
N 54° 21' 28.45"	W 3° 59' 0.12"
N 54° 21' 13.66"	W 3° 58' 52.55"
N 54° 21' 1.54"	W 3° 58' 46.79"
N 54° 20' 52.23"	W 3° 58' 42.65"
N 54° 20' 41.92"	W 3° 58' 38.28"
N 54° 20' 33.82"	W 3° 58' 35.05"
N 54° 20' 24.18"	W 3° 58' 31.47"
N 54° 20' 9.25"	W 3° 58' 26.32"
N 54° 19' 57.02"	W 3° 58' 22.54"
N 54° 19' 47.72"	W 3° 58' 19.95"
N 54° 19' 38.32"	W 3° 58' 17.53"
N 54° 19' 25.89"	W 3° 58' 14.65"
N 54° 19' 12.02"	W 3° 58' 11.77"
N 54° 18' 57.86"	W 3° 58' 9.10"
N 54° 18' 45.37"	W 3° 58' 7.14"
N 54° 18' 32.85"	W 3° 58' 5.56"
N 54° 18' 20.33"	W 3° 58' 4.36"
N 54° 18' 7.80"	W 3° 58' 3.52"
N 54° 17' 55.25"	W 3° 58' 3.07"
N 54° 17' 36.44"	W 3° 58' 3.13"
N 54° 17' 23.90"	W 3° 58' 3.61"
N 54° 17' 13.50"	W 3° 58' 4.28"
N 54° 16' 58.84"	W 3° 58' 5.68"
N 54° 16' 43.75"	W 3° 58' 7.63"
N 54° 16' 33.64"	W 3° 58' 9.28"
N 54° 16' 21.17"	W 3° 58' 11.62"
N 54° 16' 6.51"	W 3° 58' 14.85"

N 54° 15' 53.46"	W 3° 58' 18.17"
N 54° 15' 40.40"	W 3° 58' 21.91"
N 54° 15' 25.43"	W 3° 58' 26.70"
N 54° 15' 13.15"	W 3° 58' 31.07"
N 54° 14' 58.34"	W 3° 58' 36.88"
N 54° 14' 42.66"	W 3° 58' 43.63"
N 54° 14' 24.52"	W 3° 58' 52.18"
N 54° 14' 5.63"	W 3° 59' 2.11"
N 54° 13' 59.03"	W 3° 59' 5.77"
N 54° 13' 43.78"	W 3° 59' 14.51"
N 54° 13' 20.24"	W 3° 59' 29.33"
N 54° 13' 8.59"	W 3° 59' 37.27"
N 54° 12' 51.28"	W 3° 59' 49.86"
N 54° 12' 30.99"	W 4° 0' 5.73"
N 54° 12' 22.85"	W 4° 0' 12.43"
N 54° 12' 9.21"	W 4° 0' 24.24"
N 54° 11' 57.70"	W 4° 0' 34.68"
N 54° 11' 44.10"	W 4° 0' 47.62"
N 54° 11' 27.87"	W 4° 1' 3.86"
N 54° 11' 10.03"	W 4° 1' 21.40"
N 54° 10' 53.35"	W 4° 1' 37.43"
N 54° 10' 39.72"	W 4° 1' 51.36"
N 54° 10' 23.90"	W 4° 2' 8.33"
N 54° 10' 10.61"	W 4° 2' 23.38"
N 54° 10' 4.62"	W 4° 2' 30.40"
N 54° 9' 57.78"	W 4° 2' 36.58"
N 54° 9' 56.99"	W 4° 12' 5.74"

**THIS IS SCHEDULE 2 REFERRED TO IN THE FOREGOING LICENCE BETWEEN
THE DEPARTMENT AND CROGGA LIMITED**

Consideration for Licence

Production Licence's and Lease rental schedule

(1) On the Commencement Date, and on each subsequent anniversary of the Start Date to fall during the Initial Term, the Licensee shall pay the Department the relevant amount below multiplied by the Area Factor:

- (a) if the Initial Term has a Phase A, then during Phase A: £15;
- (b) if the Initial Term has a Phase B, then during Phase B: £30; and
- (c) if the Initial Term has a Phase C, then during Phase C: £150.

(2) On each anniversary of the Start Date to fall after the Initial Term, the Licensee shall pay the Department the relevant amount below multiplied by the Area Factor:

- (a) upon the 1st such anniversary, £150 multiplied by the area factor;
- (c) upon the 2nd such anniversary, £150 multiplied by the area factor;
- (c) upon the 3rd such anniversary, £150 multiplied by the area factor;
- (d) upon the 4th such anniversary, £300 multiplied by the area factor;
- (e) upon the 5th such anniversary, £1200 multiplied by the area factor;
- (f) upon the 6th such anniversary, £2100 multiplied by the area factor;
- (g) upon the 7th such anniversary, £3000 multiplied by the area factor;
- (h) upon the 8th such anniversary, £3900 multiplied by the area factor;
- (i) upon the 9th such anniversary, £4800 multiplied by the area factor;
- (j) upon the 10th such anniversary, £5700 multiplied by the area factor;
- (k) upon the 11th such anniversary, £6600 multiplied by the area factor;
- (l) upon the 12th such anniversary and every subsequent anniversary, £7500 multiplied by the area factor.

(1) The Periodic Payments shall be subject to variation in accordance with the following provisions:

(2) The Periodic Payments shall be increased or subsequently reduced in line with movements in the Index of the Price of Crude Oil acquired by Refineries (published in the Digest of UK Energy Statistics) if the Department so determines. The Department shall give notice of any such determination ("biennial determination") not less than one month before the date on which such payment falls due, and shall specify in the notice the increase or reduction in the amount payable. Movements in the Index shall be calculated by reference to a comparison between the arithmetic mean of the Index levels for the two latest calendar years for which figures are available at the time when the determination is made, and the arithmetic mean of the Index levels for the two latest calendar years before the Start Date. In the event that the Index of the Price of Crude Oil acquired by Refineries ceases to be published the Department may substitute arrangements for redetermination of periodic payments having substantially similar effect to those set out above.

(3) The increase or reduction specified in a biennial determination shall be payable or take effect on the anniversary of the Start Date next following the date of the relevant determination.

(4) No biennial determination shall have effect so as to reduce the Periodic Payments below the levels set out in sub-paragraph (1) above.

(5) The Department shall not make a biennial determination increasing or reducing the amounts payable where that increase or reduction would be 5% or less of the levels set following the previous biennial determination.

(6) In this Schedule:

"Commencement Date" means the date specified in clause 3(1) of the licence;

"the Initial Term" means the period specified as such in Schedule 5 on the date that this licence was granted;

Licence 1

"Periodic Payments" means the payments set out at paragraphs (1) and (2) above; and "Phase A", "Phase B" and "Phase C" are as defined at Schedule 3 of the licence; and
"the Area Factor" means the number of square kilometres comprised in the Licensed Area at the date upon which the Periodic Payment in question becomes due.

**THIS IS SCHEDULE 3 REFERRED TO IN THE FOREGOING LICENCE BETWEEN
THE DEPARTMENT AND CROGGA LIMITED**

Work Programme

Initial Term

Phase A

No Phase A Work Programme submitted – Straight to Phase B Licence

Phase B Period

Start 1st January 2019
Max Duration 3 years
Finish 31st December 2021

Phase B Work Programme:

Firm Commitments

The Licensee shall carry out the following activities:

Geotechnical Studies:

Obtain and reprocess existing 2D Seismic Data
Petrophysics Study
Reservoir Deliverability Study
Rock Physics Study

Acquisition of New Data:

350sq km 3D Seismic Survey, (Acquisition and Processing)

Environmental Studies:

Drilling Environmental Impact Assessment
Seabed Environmental Survey
Post 3D Survey Environmental Summary Report

Phase-C Period

Phase C is the period of 3 years following after the expiry of Phase B.

Phase C Work Programme:

The Licensee shall either:

a) Carry out the following programme of drilling work;

- (i) Drill Vertical Appraisal Well to TD in the Carboniferous or a minimum depth of 2,500 metres
- (ii) Drill Horizontal Appraisal Well and carry out flow testing.
- (iii) Drill Vertical Exploration Well to TD in the Carboniferous or a minimum depth of 2,500 metres

or;

b) Determine the Licence before the end of the Initial Term.

Second Term

(Duration Only) Minimum proposed duration of the Second Term of the Licence is four years after the expiry of Phase C.

Licence 1

Nothing here fetters the Department's discretion when considering whether to consent to any specific activity under the relevant legislation.

**THIS IS SCHEDULE 4 REFERRED TO IN THE FOREGOING LICENCE BETWEEN
THE DEPARTMENT AND CROGGA LIMITED**

Companies

CROGGA LIMITED with registered address of 11 Hope Street, Douglas, Isle of Man, IM1 1AQ (and with registered number: 015235V).

THIS IS SCHEDULE 5 REFERRED TO IN THE FOREGOING LICENCE BETWEEN THE DEPARTMENT AND CROGGA LIMITED

Timing and mandatory surrender provisions

The **Start Date** is 1st January 2019

There is no mandatory requirement for the Licensee to surrender a minimum area of the Initial Licence Area during the licence period.

There is no Phase A.

Phase B is the period of 3 years beginning at the Start Date.

Phase C is the period of 3 years beginning with the day after Phase B ends.

The **Second Term** is the period of 4 years beginning with the day after the Initial Term ends.

The **Third Term** is the period of 18 years beginning with the day after the Second Term ends.

