
SUBSIDIARY LEGISLATION

Offshore Petroleum (Licensing) Regulations 2000

S. R. & O. No: 20 of 2000

Made: 21 August 2000

Published: 25 August 2000

Coming into force: 1 September 2000

IN EXERCISE of my powers under section 7 of the Offshore Minerals Ordinance 1994^(a) and of all other powers enabling me in that behalf, I make the following Regulations —

Commencement and citation

1. These Regulations shall come into force on 1 September 2000 and may be cited as the Offshore Petroleum (Licensing) Regulations 2000.

Interpretation

2. In these Regulations the following expressions have the meanings hereby respectively assigned to them, that is to say —

“block” means a block described in a notice published in the Gazette pursuant to regulation 6(1)(a);

“exploration licence” means a licence which authorises the licensee in accordance with its terms to search for petroleum in the sea-bed and subsoil of or under the area or areas of the controlled waters to which the licence for the time being relates;

“Gazette notice” means a notice published by the Governor in the *Falkland Islands Gazette* and in the *London Gazette*;

“invited application” has the meaning assigned thereto in regulation 6(1);

“non-invited application” has the meaning assigned thereto in regulation 6(1) of the principal Regulations;

“principal Regulations” means the Offshore Petroleum (Licensing) Regulations 1995^(b); and

“production licence” means a licence which authorises the licensee in accordance with its terms to search and bore for, and get, petroleum in the area or areas of the controlled waters to which the licence for the time being relates.

^(a) No 16 of 1994

^(b) SR&O No 13 of 1995

Application of the Regulations

3.—(1) These Regulations apply to and in respect of any part of the controlled waters specified in a Gazette notice published pursuant to regulation 6(2) and the principal Regulations shall not apply in respect of applications for and licences issued pursuant to such a notice.

(2) These Regulations shall have effect —

(a) in relation to applications for exploration licences;

(b) in relation to applications for production licences; and

(c) so as to prescribe the model clauses required to be incorporated, except as provided by regulation 8(1), in production licences.

Applicants for licences

4. Any person may apply in accordance with these Regulations for a production licence or for an exploration licence.

Applications for licences

5.—(1) An application for a licence shall be made in duplicate and shall be in the form specified in Schedule 1 hereto or in a form substantially to the like effect, sent or delivered to The Director of Mineral Resources, Mineral Department, Ross Road, Stanley, Falkland Islands, and shall be accompanied by the appropriate fee and two copies of such evidence and particulars or documents in support thereof as are referred to in that Schedule and are appropriate to that application. A copy of the application shall be sent or delivered by the applicant to any person to whom the Director of Mineral Resources may require it to be sent.

(2) If any of the matters stated in an application or any further information supplied by the applicant shall change after the application is made or after the information is given but before a licence is granted or the Governor informs the applicant that the application is refused, the applicant shall forthwith give notice in writing to the Governor giving particulars of the change.

(3) An application form may be presented in writing or by arrangement with the Director of Mineral Resources on CD-Rom or recorded on computer floppy disk.

(4) The footnotes to Schedule 1 form part of that Schedule and shall have effect accordingly.

Invited applications

6.—(1) Every application for a production licence pursuant to these Regulations, not being a non-invited application made pursuant to the last foregoing Regulation (in these Regulations referred to as an “invited application”), shall be without prejudice to regulation 10(1), be —

(a) in respect of one or more blocks specified by a Gazette notice and if in respect of more than one block, each of those blocks shall be enclosed within a common perimeter which does not include any part of the controlled waters in respect of which the grant of a licence is not sought,

(b) lodged within the period specified by such a notice as the period within which the Governor is prepared to receive applications in respect of the tranches or blocks as the case may be are to be made, and shall not —

(i) include any part of a block less than the whole;

(ii) relate to more than thirty blocks; or

(iii) include any part of the controlled waters licensed or formerly licensed pursuant to the principal Regulations.

(2) The Gazette notice referred to in the last foregoing paragraph is a Gazette notice describing or specifying by reference to a map deposited at The Secretariat, Thatcher Drive, Stanley, Falkland Islands and at such other places (if any) as may be specified in the notice areas (in these Regulations referred to as “blocks”) to which reference numbers shall be assigned, in respect of which the Governor is prepared to consider applications for production licences pursuant to these Regulations and specifying the dates within which applications in respect of the blocks so specified are to be made, but such a Gazette notice may provide that applications may only be made in respect of tranches of blocks specified in that notice.

Consideration of applications

7.—(1) Any application for a licence pursuant to these Regulations shall be enclosed in a sealed envelope or other sealed covering which is clearly marked on the outside with the words “Application for Licence”. (an “application envelope”).

(2) Any application envelope received by the Director of Mineral Resources before mid-day on the last business day of any calendar month shall be opened by the Director or the Director’s delegate on the afternoon of that business day and in accordance with such rules of arrangements which shall be specified by the Governor.

(3) Any application envelope received after mid-day on the last business day of any calendar month shall be opened in accordance with paragraph (2) on the afternoon of the last business day of the next following calendar month.

(4) Rules or arrangements to be specified by the Governor as mentioned in paragraph (1) shall include rules or arrangements for the preservation of the confidentiality of applications for licences.

Forms of licence

8.—(1) Every licence shall incorporate model clauses respectively prescribed by the next following paragraph for the kind of licence to which that licence belongs unless the Governor with the consent of the Secretary of State thinks fit to modify, or exclude, in any particular case, the clauses so prescribed.

(2) The clauses prescribed for incorporation in production licences are those set out in Schedule 2.

Fees

9.—(1) With every application for an exploration licence shall be paid a fee of £1,000 and, if the licence is granted, an annual fee of £5,000 shall be paid on each anniversary of the grant of the licence while it continues in force.

(2) With every application for a production licence shall be paid a fee of £5,000.

Plurality of licences

10. Nothing in these Regulations shall prevent more than one application being made by the same person or more than one licence being granted to that applicant.

Made this twenty-first day of August 2000

R T Jarvis
Acting Governor

SCHEDULE 1

FORM OF APPLICATION FOR A PRODUCTION LICENCE
(to be submitted in duplicate)

regulation 5(1)

PART I

1. Name of each applicant in full.

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2. If the application is made by more than one person and the applicants have agreed on the manner in which benefits resulting from the exploitation of the licence should be shared between them, the share which each applicant would be entitled to take.

Name of applicant	Share of benefits

3. Name of proposed operator.

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PART II

4. Number(s) of the block(s) in respect of which the application is made.

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PART III

5. In respect of each applicant who is an individual —

Name in full	Usual residential address	Nationality

6. In respect of each applicant who is a body corporate¹ —

(a) Name of applicant in full	(b) Place of incorporation	(c) Principal place of business	(d) In the case of a company, its registered office	(e) Place of central management and control

(f) Particulars of each member of the board of directors or other governing body of the body corporate, as follows —

(1) Full name	(2) Usual residential address	(3) Nationality

7. In respect of each applicant which is a body corporate² —

(a) Particulars of the capital authorised and issued as follows —

(1) Class of capital	(2) Amount authorised	(3) Amount issued	(4) ³ Voting rights of each class

(b) Particulars of all holdings of not less than 5 per cent in number or value of any class of capital which has been issued by the body corporate as follows —

¹ If there is more than one applicant or proposed operator all the information relating to each operator which is required in this Part should be grouped together. The groups should appear in the order in which the applicants and proposed operator are named in Part I. Where any of the applicants for a production licence is a subsidiary the assets of which might not indicate sufficient financial strength to undertake its share of the costs of financing the work programme, the applicant may wish to submit with the application suitable evidence of financial support, e.g. from the group of companies of which it forms part. An applicant which has not a substantial cash flow and does not submit evidence that a corporate parent or other connected company is willing to finance the cost, or the applicant's share of the cost, of the work programme will need to submit with the application evidence (e.g. in a satisfactory form from bankers or professional advisers) that the applicant will be able to meet that cost and the source of the funds.

² If a body corporate does not possess a capital structure, any comparable information concerning the items listed should be furnished.

³ Column 4 of sub-paragraph (a) need not be completed if a copy of the memorandum and articles of association, or other document setting out or defining the constitution of the body corporate accompanies the application.

(1) Name of holder or names of joint holders, in full	(2) Nationality of holders	(3) Class of holding	(4) Amount

(c) Particulars of all capital issued to bearer, as follows —

(1) Class of capital	(2) Total amount issued	(3) Amount issued to bearer

8.—(1) In the case of an application for a production licence, for each applicant which is a body corporate there shall accompany the application two⁴ copies of the most recent audited accounts of each such applicant and two copies of the audited accounts of any body corporate having control of such applicant⁵. Subsections (2) and (4) to (6) of section 416 of the Income and Corporation Taxes Act 1988 of the United Kingdom shall apply⁶, for the purposes of determining whether for the purposes of this paragraph a body corporate has control of another body corporate, with the following modifications —

(a) for the words “greater part” wherever they occur in the said subsection (2) there shall be substituted the words “one third or more”;

(b) in the said subsection (6), for the word “may” there shall be substituted the word “shall”, the words from “and such attributions” onwards shall be omitted, and in the other provisions of that subsection any reference to the associate of a person shall be construed as including only a relative of his (as defined by section 417(4) of that Act), a partner of his and a trustee of a settlement (as defined by section 681(4) of that Act) of which he is a beneficiary.

(2) There shall accompany the application a list of the bodies corporate whose accounts are submitted pursuant to sub-paragraph (1) of this paragraph.

9. Where the proposed operator is not an applicant, the proposed operator shall comply with paragraphs 6 to 9 above as if he were an applicant.

⁴ Where the audited accounts are in a foreign language they should be accompanied by two copies of a certified translation of them into English. The audited accounts should also be accompanied by (a) a copy of any Chairman’s Statement or like document accompanying the accounts and circulated to shareholders or stockholders, (b) any Notes forming part of the accounts and (c) the auditor’s Report on the accounts. If the audited accounts relate to a period ending more than six months before the closing date for submission of the application, the applicant may on receipt of the application be asked to submit further financial statements in respect of the intervening period ending not earlier than three months before the closing date. It would be helpful if applicants would, where appropriate, anticipate such a requirement. Any such financial statements should be certified by the signatory to the application as being true and correct to the best of his information, knowledge and belief.

⁵ Applicants should also provide two copies of any published information in relation to the applicant in respect of any period after the period to which the audited accounts relate.

⁶ The provisions are applied only for the purpose of determination, for the purposes of these Regulations, of the question as to whether a body corporate has control of another body corporate. The Income and Corporation Taxes Act 1988 of the United Kingdom does not form part of the law of the Falkland Islands, which have their own laws on taxation of personal and corporate income.

10. In the case of an application for a production licence, there shall be annexed a Technical Summary prepared in such a manner as best illustrates the rationale underlying the application. As a minimum the Technical Summary must contain the information required by any Notice to Applicants issued by the Department of Mineral Resources and for time being in force.

11. An application for a production licence shall be accompanied by a work programme which must contain at the minimum one or more of the following elements —

- (a) proposals for the acquisition of an extensive and intensive geochemical “sniffer-type” survey;
- (b) acquisition of an extensive and intensive aeromagnetic survey;
- (c) acquisition of an extensive set of sea-bed cores testing the stratigraphy of the feather edges of the presently unexplored basins or sub-basins;
- (d) acquisition and processing of two dimensional or three dimensional seismic data;
- (e) the drilling of one or more exploration wells.

Desk studies and the acquisition of presently available data sets, whether proprietary or non-exclusive will not be regarded as acceptable work commitments.

12. Name and address of proposed Agent of the applicant in the Falkland Islands⁷.

PART IV

13. Details of the fees which accompany the application (cheques should be crossed “not negotiable A/C Payee only” and made payable to “Falkland Islands Government”).

PART V

I/We hereby declare that the information given in Parts I, II, III and IV or annexed to or accompanying this application is correct⁸.

Date

Signature of each applicant or proposed operator, or in the case of each applicant or proposed applicant which is a body corporate, of a duly authorised officer whose capacity is stated⁹.

SCHEDULE 2

regulation 8(2)(a)

MODEL CLAUSES FOR PRODUCTION LICENCES IN CONTROLLED WATERS

Interpretation

⁷ See model clause 40 for production licences. There is a similar requirement in the Model Clauses relating to exploration licences.

⁸ The applicant may annex any information or particulars additional to those required by this form which the applicant wishes to be considered in connection with the application.

⁹ Where there is more than one signature, the applicant or proposed operator to which each signature relates should be identified.

1.—(1) In the following clauses, the following expressions have meanings hereby respectively assigned to them, that is to say —

“approved development programme” means a development programme in respect of which the Governor's approval has been notified to the Licensee pursuant to clause 15;

“approved well” means a well specified in Schedule 4 to this Licence or after the date of this Licence approved in writing by or on behalf of the Governor;

“block” means an area comprised in this Licence which is delineated on the reference map deposited at The Secretariat, Thatcher Drive, Stanley, Falkland Islands and to which a reference number was assigned at the date of this Licence;

“relevant period” has the meaning given by clause 11(1);

“tax disposal value” has the meaning given by clause 11(3);

“clause” means a clause of this Licence;

“crude”, where the reference is to petroleum being disposed of or appropriated crude, refers to its being so dealt with without having been refined (whether or not it has previously undergone initial treatment);

“discovery area” means an area in respect of which notice has been given to the Governor by the Licensee pursuant to clause 4(4) or 5(3);

“development programme” means a programme prepared for the purposes of clause 15;

“development scheme” has the meaning assigned thereto by clause 25(2);

“exploit” and “explore”, in relation to petroleum, have the same meanings as they have under section 2(1) of the Ordinance;

“exploitation term” has the meaning assigned by clause 5(7);

“field” means a part of the licensed area which the Licensee believes to be an oil field or part of an oil field;

“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 term”, “second exploration term” and “exploitation term” have the meanings respectively assigned to them by clause 3;

“initial treatment”, in relation to petroleum from a field, means the doing, at any place, of any of the following things —

- (a) subjecting oil won from the field to any process of which the sole purpose is to enable the petroleum to be safely stored, safely loaded into a tanker or safely accepted by an oil refinery; or

- (b) separating petroleum so won and consisting of gas from other petroleum so won; or
- (c) separating petroleum so won and consisting of gas of a kind that is transported and sold in normal commercial practice from other petroleum so won and consisting of gas; or
- (d) liquefying petroleum so won and consisting of gas of such a kind as aforesaid for the purpose of transporting it; or
- (e) subjecting petroleum so won to any process of which the purpose is to secure that petroleum disposed of crude has the quality that is normal for petroleum so disposed of from the field,

but does not include —

- (i) the storing of petroleum even where this involves the doing to the oil of things within any of the paragraphs (a) to (e) of this definition; or
- (ii) any activity carried on as part of, or in association with, the refining of petroleum not consisting of gas or any activity the sole or main purpose of which is to achieve a chemical reaction in respect of petroleum consisting of gas;

“the 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 granted by this Licence may lawfully have been assigned;

“notice” means a notice in writing;

“the Ordinance” means the Offshore Minerals Ordinance 1994;

“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;

“production purposes”, in relation to a field, means any of the following purposes —

- (a) carrying on drilling or production operations within the field;
- (b) pumping petroleum won from the field to the place where it is first landed in the Falkland Islands or another country or to the place in the Falkland Islands or another country in which the seller in a sale at arm’s length could reasonably be expected to deliver it or, if there is more than one place at which the seller could reasonably be expected to deliver it, the one nearest to the place of extraction; or
- (c) the initial treatment of oil won from the field;

“relevantly appropriated”, in relation to petroleum won from a field, means appropriated to refining or to any use except for production purposes in relation to that field;

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

“\$” means dollars of the United States of America;

“well” includes borehole;

“work programme” means the work programme described in Schedule 4 to this Licence and any further work programme approved by the Governor in respect of the second exploration term.

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

(3) Every reference in this Licence to an Ordinance or other law of the Falkland Islands shall be construed as including a reference to any Ordinance or other law of the Falkland Islands for the time being amending, modifying replacing augmenting or re-enacting that Ordinance or other law.

Grant of licence

2. In consideration of the payments and royalties hereinafter provided and the performance and observance by the Licensee of all the terms and conditions hereof, the Governor in exercise of the powers conferred on him by the Offshore Minerals Ordinance 1994 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 sub soil under the part of the controlled waters comprising an area of [*number of square kilometres to be inserted here*] square kilometres more particularly described in Schedule 1 to this Licence being the area comprising block(s) No. [*to be inserted in Licence granted*] on the reference map deposited at The Secretariat, Thatcher Drive, Stanley, Falkland Islands AND IT IS HEREBY DECLARED for the purpose of section 5(2) of the Ordinance that this Licence permits in accordance with its terms and conditions the drilling of wells and taking of samples in the course of exploration for petroleum.

Term of licence

3. This Licence unless sooner determined under any of the provisions hereof shall be and continue in force for the term of [*insert here either “three” or “five”*] years after [*date of commencement of licence term to be inserted here*] (hereinafter called “the initial term”); but if the terms and conditions of this Licence are duly performed and observed and, in particular, if the work programme has been duly performed, this Licence may be continued for a further term of three years (hereinafter called “the second exploration term”) as provided by clause 4 of this Licence and as further provided by clauses 5 and 6 of this of this Licence, as to a field for a further term of thirty-five years (hereinafter called “the exploitation term”).

Continuation of licence and notification of discovery areas

4.—(1) At any time not later than three months before the expiry of the initial term the Licensee paying the payments by way of acreage rent and, if appropriate, royalties hereinafter in this Licence provided and observing and performing the terms and conditions in this Licence contained may give notice in writing to the Governor that the Licensee desires the Licence to continue as to part of the licensed area (hereinafter called “the initial continuing part”) in the manner hereinafter provided and (unless paragraph (4) of this clause applies and the Licensee does not desire to determine the Licence

in respect of any part of the licensed area) to determine the residue thereof (hereinafter called “the initial compulsorily surrendered part”).

(2) Such notice shall —

(a) describe the initial continuing part which shall be an area which (after deducting the area of any discovery area notified to the Governor by the Licensee during the initial term) shall not exceed one half of the area in respect of which this Licence is granted; and

(b) set out the work programme the licensee proposes in respect of the second exploration term (which must include proposals for the drilling of at least one well).

(3) The Licensee may at any time not less than one month before the surrender date give a further notice to the Governor varying the part of the licensed area to be surrendered and in the event of such further notice being given the previous paragraphs of this clause shall apply *mutatis mutandis* to such notice but so that the surrender date specified in such notice shall be the surrender date specified in the first notice.

(4) If at any time during the initial exploration term or the second exploration term the Licensee believes that any area comprised in the licence is one in which the Licensee proposes to undertake works of appraisal or development (a discovery area) he shall without delay notify the Governor in accordance with subclause (5).

(5) Notification of a discovery area shall be in writing and shall —

(a) sufficiently describe the geological structure or the aerial extent of the stratigraphic play in question, and wherever possible, by reference to geographic co-ordinates; and

(b) be accompanied by a map on which the position of the discovery area is indicated;

(c) indicate whether the Licensee intends to undertake appraisal drilling or other appraisal operations before deciding to prepare a development plan and specify the drilling or other works the Licensee intends to undertake or to submit a development plan.

(6) Where notification has been given pursuant to subclause (5) and subject to the payment of the acreage rental provided for by clause 10 this licence shall continue in respect of the discovery area for five years from the date of spudding of the discovery well leading to the giving of the notification PROVIDED HOWEVER that if any appraisal drilling specified in the notification has not been commenced or (if no such drilling has been specified) no development plan has been submitted to the Governor for approval in respect of the development area before the expiry of a period of three years from the date of the spudding of the discovery well the Licence shall determine in respect of the discovery area on the expiry of such period of three years.

(7) A notice pursuant to paragraph (2) shall not have effect to extend the period of this licence unless before the expiration of the initial term the work programme in respect of the second exploration term has been approved by the Governor.

Continuation of licence as discovery area after expiration of second exploration term

5.—(1) Subject to this clause, at the expiration of the second exploration term this licence shall come to an end except in relation to obligations thereunder which, of their nature, may survive the expiration of the licence term.

(2) This licence does not come to an end by virtue of the second exploration term —

(a) in respect of any discovery area where the licence continues pursuant to clause 4(6);

(b) in respect of any discovery area where the licence continues by virtue of paragraph (3) of this clause (which applies clause 4(4) to 4(6) with modifications).

(3) Clause 4(4) to 4(6) shall apply *mutatis mutandis* to notification during the second exploration term of discovery area and the continuation of this licence in respect of discovery areas notified during the second exploration term.

Continuation of licence for production

6.—(1) If the licensee desires that the licence shall continue —

(a) in respect of any area which constitutes the whole or any part or parts of a discovery area; or

(b) in respect of any other area comprised for the time in the part or parts of the controlled waters licensed under clause 2 or 3 for the initial term or the second exploration term, the Licensee may by notice in writing delivered to the Governor complying with the provisions of this clause request that the licence be extended for the exploitation term of thirty-five years in respect of the area to which it relates (“the potential field”).

(2) A notice under paragraph (1) —

(a) must be given not later than three months before the licence would otherwise expire in relation to the area to which it relates;

(b) must describe by geographical co-ordinates the boundaries of the potential field;

(c) cannot validly be given unless the Licensee has paid all sums the Licensee is required to pay under the terms of this Licence and has performed all his other obligations under this Licence.

(3) The Licence may by further notice given to the Governor not less than one month before the licence would otherwise expire vary the boundaries of the potential field.

(4) If a notice pursuant to paragraph (1), varied as may be by a further notice pursuant to paragraph (3), is given this licence continues in force in respect of the potential field after it would otherwise expire if —

(a) before that time the Governor has given a consent pursuant to clause 15(1) and that consent is still in force at that time, in relation to the part of the licensed area to which that consent relates.

(b) if the Governor has before that time in pursuance of clause 15(4) of this Licence approved a development programme and such approval is still in force at that time, in relation to the part of the licensed area to which that approval relates;

(c) if the Governor has before that time served a programme on the Licensee in pursuance of clause 15(6) of this Licence and such programme is still in force at that time i.e., in relation to that part of the licensed area to which that programme relates, or

(d) the Governor has before that time in his direction so directed in writing, in relation to the part of the licensed area to which that direction relates.

(5) Where this Licence continues in respect of a part of the licensed area pursuant to clause 4 or 5, the continuation of this Licence in respect of another part of the licensed area pursuant to any subparagraph of paragraph (4) of this clause shall not derogate from the continuation of this Licence as to part of the licensed area by virtue of the earlier operation of clause 4 or 5.

(6) Where the Governor has given a direction in pursuance of paragraph (4)(d) of this clause he may in his direction, on notice being given to him by the Licensee not later than three months before the expiry of any extension or further extension having effect by virtue of such a direction that the Licensee desires the licence to continue in force thereafter, give a further direction that this Licence shall so continue in force.

(7) Where this Licence continues in force in respect of a part of the licensed area by virtue of paragraph (4)(a), (b) or (c) of this clause it shall, subject to the provisions of clause 3 of this Licence so continue in force for a further period of thirty-five years ("the exploitation term") reckoned from the date of service of the notice under paragraph (1).

(8) A direction given by the Governor in pursuance of paragraph (4)(d) of this clause or a further direction given by the Governor in pursuance of paragraph (6) of this clause may be given subject to such conditions as he may specify and (without prejudice to the generality of the foregoing) such conditions may include conditions as to the duration of the extension or further extension (as the case may be) and shall have effect only to extend the second exploration term.

Power further to extend term of licence

7. Where this Licence has, by virtue of clause 6, continued in force as to a part or parts of the area in respect of which it was originally granted for a period of thirty-five years after the date of the notice under clause 6(1), the Governor, on application being made to him in writing not later than three months before the expiry of such period, may in his discretion agree with the Licensee that this Licence shall continue in force thereafter for such further period as the Governor 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 Licence) as the Governor and the Licensee may then agree is appropriate.

Right of licensee to determine licence or surrender part of licensed area

8.—(1) Without prejudice to any obligation or liability imposed by or incurred under the terms of this Licence the Licensee may at any time by giving to the Governor not less than six months' notice to that effect to expire on an anniversary of the date of the commencement of the initial term, determine

this Licence or surrender any part of the licensed area being a part which complies with clause 9 of this Licence.

(2) A notice given to the Governor pursuant to paragraph (1) of this clause may be cancelled by a further notice given to the Governor not less than one month before the expiration of the notice.

Areas surrendered

9.—(1) Within a block any area surrendered by the Licensee pursuant to any preceding clause of this Licence and any area accordingly retained by the Licensee, or where the surrendered or retained area comprises separate parts, each part of each area, shall unless the Governor has otherwise agreed in writing before the date on which the appropriate notice is given by the Licensee to the Governor —

(a) be bounded by minute lines of latitude extending not less than two minutes of longitude and minute lines of longitude extending not less than two minutes of latitude;

(b) consist of not less than thirty sections; and

(c) have boundaries which, whether they run north and south or east and west, either coincide with the corresponding boundaries of the block or are not less than two sections distant from those boundaries;

and where the surrendered or retained area comprises separate parts, each part of that area shall be not less than two sections distant from any other part of that area.

(2) Upon the date upon which any determination of this Licence or any surrender of part of the licensed area in the manner provided by any preceding 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 thereof so surrendered as the case may be but without prejudice to any obligation or liability imposed upon the Licensee or incurred by the Licensee under the terms of this Licence prior to that date.

Payment of consideration for licence

10.—(1) The Licensee shall make to the Governor as consideration for the grant of this Licence —

(a) payments of acreage rent in accordance with Schedule 2 to this Licence; and

(b) payments of royalty in accordance with clause 11 of 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 Governor pursuant to this Licence before the date of determination or surrender.

Royalty payments

11.—(1) The Licensee shall pay to the Governor, in respect of each half year in which this Licence is in force (hereinafter in this clause and in clauses 12 and 13 of this Licence referred to as a “relevant period”), a royalty of nine per cent or such lesser percentage as the Governor may by notice to the Licensee from time to time stipulate (hereinafter referred to as the appropriate percentage) of the value of the petroleum relating to that period.

(2) For the purposes of this clause and clauses 12 and 13 of this Licence the value of petroleum relating to a relevant period is A minus B where —

A equals the aggregate of —

- (a) the value of all petroleum which during the relevant period either —
 - (i) has been delivered; or
 - (ii) has been relevantly appropriated (and is accordingly deemed, for the purposes of income tax or corporation tax, to have been disposed of); and
- (b) the value on the last day of that relevant period of the petroleum won by the Licensee under the Licence and which —
 - (i) has not been disposed of and has not been relevantly appropriated; or
 - (ii) has been disposed of but has not been delivered; and

B equals the value on the last day of the preceding relevant period, of so much of the petroleum won under the Licence as at the end of the preceding relevant period either —

- (i) had not been disposed of and had not been relevantly appropriated; or
- (ii) had been disposed of but had not been delivered.

(3) For the purposes of paragraph (2) the value of petroleum shall be the tax disposal value of the petroleum in question and in this paragraph "tax disposal value" in relation to any petroleum means —

- (a) where the petroleum has been relevantly appropriated, the consideration for which the petroleum is deemed to have been disposed of for the purposes of income tax or corporation tax;
- (b) where the petroleum has not been disposed of or, if it has been disposed of, has neither been delivered nor relevantly appropriated, the consideration for which it would have been deemed to have been disposed of for tax purposes if it had been relevantly appropriated on the last day of the relevant period concerned; or
- (c) if the petroleum has been disposed of or delivered, the consideration for that disposal which is taken into account in computing the Licensee's chargeable income for tax purposes.

(4) The Licensee shall, within two months after the end of each relevant period, deliver to the Financial Secretary of the Falkland Islands, in such form as the Financial Secretary shall specify, a statement complying with the requirements of Schedule 3.

(5) The Licensee shall at the same time as the Licensee delivers to the Financial Secretary a statement under paragraph (4) of this clause pay to the Financial Secretary such sum as, calculated by reference to the information set out in the statement, is payable by way of royalty.

(6) The Financial Secretary may from time to time, after a statement in respect of any relevant period has been delivered to him in pursuance of paragraph (4) of this clause and before he has given to the Licensee a notice in pursuance of paragraph (7) of this clause in respect of that period, give a notice in writing to the Licensee specifying the amount which the Financial Secretary estimates is payable by the Licensee in pursuance of paragraph (1) to (3) of this clause in respect of that period, and where the amount specified in the notice is large or smaller than the total amount already paid by the Licensee in pursuance of this clause in respect of that period, then —

(a) if it is larger the difference shall be paid forthwith by the Licensee to the Financial Secretary; and

(b) if it is smaller the difference shall be paid forthwith by the Financial Secretary to the Licensee.

(7) When it appears to the Financial Secretary that the value of the petroleum relating to any relevant period has been finally determined for tax purposes, he may give to the Licensee a notice in writing specifying the amount which the Financial Secretary considers is payable by the Licensee in pursuance of paragraphs (1) to (3) of the clause in respect of that period; and where the amount specified in the notice is larger or smaller than the total amount already paid by the Licensee in pursuance of this clause in respect of that period, then subject to paragraph (9) of this clause —

(a) if it is larger the difference shall be paid forthwith by the Licensee to the Financial Secretary; and

(b) if it is smaller the difference shall be paid forthwith by the Financial Secretary to the Licensee.

(8) If after the date when the Financial Secretary gave notice to the Licensee in pursuance of paragraph (7) of this clause or this paragraph in respect of a chargeable period it appears to the Financial Secretary, in consequence of a relevant assessment or determination made after that date which relates directly or indirectly to the value of petroleum by reference to which the amount specified in the notice was determined, that another amount ought to have been specified, he may give notice in writing to the Licensee specifying that other amount; and where he does so, then subject to paragraph (9) of this clause —

(a) if the other amount is larger than the total amount already paid by the Licensee in pursuance of this clause in respect of that period the difference shall be paid forthwith by the Licensee to the Financial Secretary; and

(b) if it is smaller the difference shall be paid forthwith by the Financial Secretary to the Licensee.

(9) A decision made by the Financial Secretary for the purposes of paragraph (6), (7) or (8) of this clause shall not be called into question by the Licensee except that any dispute between the Financial Secretary and the Licensee as to whether the amount specified in a notice given in pursuance of the said paragraph (6) or (7) is payable may during a period of 28 days beginning with the day on which the Licensee receives the notice be referred to arbitration in the manner provided for by clause 39 of this Licence; and on a reference to arbitration in pursuance of this paragraph any relevant assessment or determination for the time being in force shall be binding on the Financial Secretary and the

Licensee so far as the assessment or determination relates directly or indirectly to the value of petroleum relating to the relevant period in question.

(10) When any payment is made by the Licensee or the Financial Secretary in pursuance of paragraph (6), (7) or (8) of this clause, an amount in respect of interest on the payment shall also be payable by him to the recipient of the payment and that amount shall be calculated in such manner as the Financial Secretary may specify from time to time in a notice given by him to the Licensee; but —

(a) the rate of interest which shall be payable shall be the greater of —

(i) the time-weighted average for the relevant period of the rates applicable to loans from the United Kingdom National Loans Fund for maturities of fifteen to twenty-five years; and

(ii) one per cent under the rate indicated by the *Financial Times* (of London) actuaries index of redemption yields from debentures and loan stocks with twenty years to maturity; and

(b) any such amount in respect of interest shall be disregarded in calculating for the purposes of the said paragraphs (6), (7) or (8) any amount already paid by the Licensee in pursuance of this clause.

(11) In paragraph (8) of this clause "relevant assessment or determination" means an assessment or determination made by the Commissioner of Taxation for the purposes of the charge of income tax or corporation tax on income or a determination made in proceedings arising out of such assessment or determination made by the said Commissioner.

(12) For the purposes of this clause any amount paid by the Licensee or the Financial Secretary on account of a prospective liability under paragraphs (6), (7) or (8) of this clause shall be treated as paid in pursuance of that paragraph.

(13) Schedule 3 to this Licence shall have effect for the purposes of and in connection with this clause.

Measurement of petroleum obtained from licensed area

12.—(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 Governor all petroleum won and saved from the licensed area.

(2) If and to the extent that the Governor so directs, the duty imposed by paragraph (1) of this clause shall be discharged separately in relation to petroleum won and saved —

(a) from each part of the licensed area which is a field;

(b) from each part of the licensed area which forms part of a field extending beyond the licensed area; and

(c) 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 Governor 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 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 any appliance used for that purpose without the consent in writing of the Governor and the Governor may in any case require that no alteration be made save in the presence of a person authorised by the Governor.

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

(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 Governor so determines after considering any representations in writing 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).

Keeping of accounts

13.—(1) The Licensee shall keep in the Falkland Islands full and correct accounts in a form from time to time approved by the Governor of—

(a) the quantity of petroleum in the form of gas won and saved;

(b) the quantity of petroleum in any other form won and saved;

(c) the name and address of any person to whom any petroleum has been supplied by the Licensee, the quantity so supplied, the price or other consideration therefore and the place to which the petroleum was conveyed pursuant to the agreement for such supply; and

(d) such other particulars as the Governor 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 fifteen degrees Celsius and a pressure of 1.0132 bar but if the Governor serves notice on the Licensee determining any other manner in which any quantity of petroleum is to be expressed that quantity shall be so expressed.

(3) Such accounts shall state separately the quantities 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 Governor an abstract in a form from time to time approved by the Governor of the accounts for that half year or for the period prior to such expiration or determination as the case may be.

Working obligations

14.—(1) The Licensee shall before the expiration of the initial term of this Licence carry out such scheme of prospecting including any geological survey by any physical or chemical means [*if appropriate add the words* and exploration drilling] as is set out in Schedule 4 to this Licence [and the Licensee shall before the expiration of the second exploration term of this Licence carry out such scheme of prospecting including any geological survey by any physical or chemical means and test drilling as is set out in Part II of Schedule 4 to this Licence] (all of which obligations are hereinafter collectively referred to as a "work programme"); provided that nothing in this paragraph shall be construed as preventing the Licensee from carrying out before the expiration of the initial term any of the part of the work programme set out in Part II of Schedule 5.

(2) If at any time the Governor serves a notice in writing on the Licensee requiring the Licensee to submit to the Governor, 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 that person —

(a) were entitled to exploit the rights granted by this Licence; and

(b) had the competence and resources needed to exploit those rights to the best commercial advantage; and

(c) were seeking to exploit those rights to the best commercial advantage;

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 Governor in consequence of a notice served by him in pursuance of paragraph (3) of this clause, then —

(a) he shall not be entitled to revoke this Licence on the ground that the programme does not satisfy the requirements of that paragraph (hereinafter in this clause referred to as "the relevant requirements") but;

(b) if he is of opinion that the programme does not satisfy the relevant requirements he may serve a notice in writing on the Licensee stating his opinion and the reasons for it.

(4) Where notice in respect of a programme is served on the Licensee pursuant to paragraph (4) 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 39 of this Licence, the question of whether the programme satisfies the relevant requirements; or

(b) within a reasonable period beginning with that date submit to the Governor a further programme which satisfies the relevant requirements;

and where it is determined in consequence of any reference to arbitration in pursuance of subparagraph (a) of this paragraph that the programme in question does not satisfy the relevant requirements the Licensee shall submit to the Governor, 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 the Licensee in pursuance of this clause as to which either —

(a) the Governor serves notice on the Licensee stating that the Governor approves the programme;
or

(b) it is determined in consequence of any reference to arbitration in pursuance of this Licence that the programme satisfies 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 Governor has power by virtue of paragraph (1) of clause 38 of this Licence to determine this Licence, he may if he thinks fit exercise that power in relation to such part only of the licensed area as he may specify; and where he 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 the Licensee 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 Governor may serve notice in pursuance of paragraph (3) of this clause in respect of another part of that term.

Development and production programmes

15.—(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;

(b) get petroleum from that area otherwise in the course of searching for petroleum or drilling wells,

except with the consent in writing of the Governor or in accordance with a programme which the Governor 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 Governor, in such form and by such time and in respect of such period during the term of this Licence as the Governor 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 location 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 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, in each calendar year during the period aforesaid or in such other periods during that period as the Governor may specify, the Licensee proposes to get as mentioned in paragraph (1)(b) of this clause.

(3) If the Governor 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 relate 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 that direction.

(4) The Governor shall expeditiously consider any programme submitted to him in pursuance of paragraph (2) of this clause and when he has done so he shall give notice to the Licensee stating —

(a) that the Governor approves the programme; or

(b) that the Governor 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 Governor; or

(c) that the Governor 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 paragraph (2)(c) are, in the opinion of the Governor not in the national interest of the Falkland Islands;

and a notice in pursuance of sub-paragraph (b) of this paragraph may contain different conditions in respect of different works.

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

(a) if the grounds of rejection consist of or include the ground 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, he shall include in the notice a statement of the matters in consequence of which he rejected the programme on that ground; and

(b) if the grounds of rejection consist of or include the ground that the proposals included in the programme are not in the national interest of the Falkland Islands he shall include in the notice a statement of the rates at which he considers that, in the national interest, petroleum should be got from the area to which the programme relates;

(c) the Licensee shall prepare and submit to the Governor, before the time specified in that behalf in the notice —

(i) where the notice contains such a statement as is mentioned in paragraph (5)(a) of this clause, modifications of the programme which ensure that the carrying out of the programme would not be contrary to good oilfield practice;

(ii) where the notice contains such a statement as is mentioned in paragraph (5)(b), modifications of the programme which ensure the getting of petroleum from the area there mentioned 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 the carrying out of the programme without modifications would not be contrary to good oilfield practice.

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

(7) Where the Governor 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 he shall before doing so —

(a) give the Licensee particulars of the proposal and an opportunity of making representations to the Governor about the technical and financial factors which the Licensee considers are relevant in connection with the proposal; and

(b) consider any such representations then made to him by the Licensee; and the Governor shall not approve a programme subject to such a condition unless he is satisfied that such a condition is required in the national interest of the Falkland Islands.

(8) The Licensee shall carry out any programme approved or served on him by the Governor in pursuance of this clause or, if such a programme is varied in pursuance of clause 16 of this Licence, the programme as so varied except so far as the Licensee is authorised in writing by the Governor 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 16 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 openly for searching for petroleum.

Provisions supplementary to clause 15

16.—(1) A consent given by the Governor in pursuance of clause 15(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 Governor gives notice in respect of a programme in pursuance of paragraph (4)(a) or (b) or paragraph (6) of clause 15 of this Licence or serves a programme in pursuance of the said paragraph (6); or

(b) it is determined by arbitration that the Licensee is not required by virtue of paragraph (i) of clause 15(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 Governor in pursuance of clause 15(4)(c) of this Licence,

the Governor 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 arbitrator's determination, a notice (hereafter in this clause referred to as a "limitation notice") authorising the Governor, by a further notice given to the Licensee from time to time after the expiration of the period specified in that behalf 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 15(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 within the limits specified in the limitation notice as those applicable to that quantity or period specified in the programme; and those limits 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 Governor proposes to give a limitation notice or any such further notice as aforesaid he shall before doing so —

(a) give the Licensee particulars of the proposal and an opportunity of making representations to the Governor about the technical and financial factors which the Licensee considers are relevant in connection with the proposal; and

(b) consider any such representations then made to him by the Licensee;
and the Governor 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 Governor is satisfied that the notice is required in the national interest of the Falkland Islands.

(5) A limitation notice or such a further notice as aforesaid may —

(a) specify any quantity or period by reference to such factors as the Governor thinks fit; and

(b) in the case of such a further notice, contain provisions as to —

(i) the date upon which the notice is to come into force,

(ii) the date upon which the notice is to cease to be in force,

and specify different periods in pursuance of this sub-paragraph for different provisions of the notice;

and the Governor 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 15 of this Licence or this clause as to what is, is not or is required in the national interest of the Falkland Islands shall be determined by the Governor.

(7) The Licensee shall ensure that any conditions to which an approval is subject in pursuance to clause 15(4)(b) of this Licence or a consent is subject in pursuance of paragraph (1) of this clause are complied with.

(8) If in respect of a part of the licensed area —

(a) a consent has been given in pursuance of clause 15(1) of this Licence; or

(b) the Licensee has submitted to the Governor, 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 Governor has served in pursuance of paragraph (4)(a) or (b) or paragraph (6) of that clause; or

(ii) in consequence of which the Governor has served a programme on the Licensee in pursuance of the said paragraph (6); or

(iii) in respect of which it has been determined by arbitration that the Licensee is not required by virtue of paragraph (5)(c)(i) of that clause to submit modifications,

paragraph (1) of clause 38 of this Licence shall not authorise the Governor 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 provisions of the said clause 15 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 15 of this Licence the Governor has power by virtue of clause 38(1) 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, he may if he thinks fit —

(a) in a case where he has power to revoke this Licence, exercise the power in relation to such part only of the Licensed area as he may specify;

(b) in a case where by virtue of paragraph (8) of this clause he 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 he may specify;

and where in consequence of the said paragraph (8) or by virtue of the preceding provisions of this paragraph the Governor 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

17.—(1) The Licensee shall not commence or, after abandoning in manner hereinafter provided, shall not recommence the drilling of any well without the consent in writing of the Governor.

(2) The Licensee shall not abandon any well without the consent in writing of the Governor.

(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 conditions under either paragraph (1) or paragraph (2) of this clause relates to any plugging or sealing of well, the Governor 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 Governor's direction and the Licensee shall pay to any such person or to the Governor such fees and expenses for such examination as the Governor may specify.

(5) The plugging of any well shall be done in accordance with a specification approved by the Governor 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) Any well drilled by the Licensee pursuant to this Licence, which, at the expiry or determination of the Licensee's rights in respect of the area or part of the part of the area in which the well is drilled, has not with the consent of the Governor been 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 well or if the Governor so directs in manner provided by paragraph (8) of this clause be plugged and sealed in accordance with the Governor's direction.

(7) All casings and fixtures left in position pursuant to paragraph (6) of this clause shall be the property of the Crown.

(8) In any case to which paragraph (6) of this clause applies, a direction by the Governor may be given by notice 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 expires or determine, specifying the manner in which the well is to be plugged and sealed and the time within which such work is to be done.

Distance of wells from boundaries of licensed area

18. No well shall except with the consent in writing of the Governor 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 of wells

19.—(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 Governor 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 Governor with such information relating to the well as the Governor 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 Governor in respect of the well;

(b) shall furnish to the Governor, 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 Governor 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;

“development well” means a well which the Licensee uses or intends to use in connection with the getting of petroleum in the licensed area, other than a well which for the time being he uses or intends to use only for searching for petroleum.

Provision of storage tanks, pipes, pipelines or other receptacles

20. The Licensee shall use methods and practices 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

21.—(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 17 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 practices 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 prevent the escape or waste of petroleum discovered in or obtained in 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 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 Governor in writing relating to any of the matters set out in the foregoing paragraph. If the Licensee objects to any such instruction on the ground that it is unreasonable he may, within fourteen days from the date upon which the same was given, refer the matter to arbitration in the manner provided by clause 39 of this Licence.

(3) Notwithstanding anything in the previous provisions of this clause, the Licensee shall not —

- (a) flare any gas from the licensed area;
- (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 Governor 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 Governor 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 Governor receives the application.

(5) If the Governor gives notice to the Licensee stating that, in consequence of plans made by the Licensee which the Governor considers are reasonable, the Governor will entertain an application for consent in pursuance of paragraph (3) of this clause which 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 the shorter period.

(6) Before deciding to withhold consent or to grant it subject to conditions in pursuance of paragraph (3) of this clause, the Governor shall give to the Licensee an opportunity of making representations in writing to the Governor about the technical and financial factors which the Licensee considers are relevant in connection with the case and shall consider any representations then made to him 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 Governor that he has done it and shall, in the case of flaring to maintain a flow of petroleum, stop the flaring upon being directed by the Governor to stop it.

(8) The Licensee shall give notice to the Governor of any event causing escape or waste of petroleum, damage to petroleum bearing strata or 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 escape of petroleum into the sea, give notice to such person or authority as the Governor may have notified him that notice in that behalf shall be given.

(9) The Licensee shall comply with any reasonable instructions from time to time given by the Governor 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 Governor proposes to give such instructions he shall before giving them —

(a) give the Licensee particulars of the proposal and an opportunity of making representations to the Governor about the proposal; and

(b) consider any representations then made to him by the Licensee about the proposal.

Appointment of operators

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

(2) The Governor shall not unreasonably refuse to give his 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 Governor may by notice to the Licensee revoke that approval.

Fishing and navigation

23. The Licensee shall not carry out any operations authorised by this Licence in or about the licensed area in such manner as to interfere unjustifiably with navigation or fishing in the waters of the licensed area or with the conservation of the living resources of the sea.

Training

24.—(1) The Governor 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 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 Licensee shall furnish the Governor with such information relating to the training of persons referred to in paragraph (1) of this clause as the Governor may from time to time require.

Unit development

25.—(1) If at any time in which this Licence is in force the Governor shall be satisfied that the strata in the licensed area or any part thereof form part of a single geological 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 Ordinance are then in force and the Governor shall consider that it is in the national interest of the Falkland Islands 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 by the Governor the Licensee shall co-operate with such other persons, being persons holding licences under the Ordinance in respect of any part or parts of the oil field (hereinafter referred to as "the other licensees") as may be prescribed 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 approval by the Governor in writing.

(3) The said notice shall also contain or refer to a description of the area or areas in respect of which the Governor requires a development scheme to be submitted for approval by the Governor.

(4) If a development scheme is not submitted to the Governor within the period so stated or if a development scheme so submitted is not approved by the Governor, the Governor may himself prepare a development scheme which shall be fair and equitable to the Licensee and all other Licensees, and the Licensee shall observe and perform the terms and conditions thereof.

(5) If the Licensee objects to any such development scheme prepared by the Governor the Licensee may within 28 days from the date on which notice in writing of the said scheme was given to the Licensee refer the matter to arbitration in the manner provided by clause 39 of this Licence.

(6) Any such development scheme or the award of any arbitrator in relation thereto shall have regard to any direction pursuant to clause 26 of this Licence in force at the date of such a scheme.

Directions as to oil fields across boundaries

26.—(1) Where the Governor 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 Governor's powers to grant licences pursuant to the Ordinance do not apply and the Governor 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 Governor may from time to time by notice give to the Licensee such directions as the Governor may think fit, as to the manner in which the rights conferred by this Licence may 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

27.—(1) The Licensee shall keep accurate records in a form from time to time approved by the Governor of the drilling, deepening, plugging or abandonment of all wells and of any alterations in the casing thereof. Such records shall contain particulars of the following matters —

(a) the site of and number assigned to every well;

(b) the subsoil and strata through which the well was drilled;

(c) the casing inserted in any well and any alteration to such casing;

(d) any petroleum, water, or workable seams of any minerals other than petroleum encountered; and

(e) such other matters as the Governor may from time to time direct.

(2) The Licensee shall keep in the Falkland Islands accurate geological plans and maps relating to the licensed area and such other records in relation thereto as may be necessary to preserve all information which the Licensee obtains about the geology of the licensed area.

(3) The Licensee shall as and when required deliver to the Governor copies of the said records, plans and maps referred to in the two foregoing paragraphs.

Returns

28.—(1) The Licensee shall furnish to the Governor three months from the date of this Licence 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 Governor of the progress of the Licensee's operations in the licensed area. Such return shall contain —

(a) a statement of all geological work, including surveys and tests, which has been carried out and the areas in which and the persons by whom the work has been carried out and the results thereof;

(b) the number assigned to each well, and in the case of any well the drilling of which was begun or the number of which has been changed during such period of three months, the site thereof;

(c) a statement of the depth drilled in each well;

(d) a statement of any petroleum, water or workable seams of other minerals encountered in the course of the said operations; and

(e) a statement of all petroleum won and saved.

(2) Within two months of the end of each calendar year 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 Governor an annual return in a form from time to time approved by the Governor 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 on a scale approved by the Governor 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 for, boring for or getting petroleum.

(3) The Licensee shall furnish the Governor with such information as the Governor 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.

(4) Without prejudice to the Licensee's obligations under the foregoing provisions of this clause or otherwise under this Licence, the Licensee shall without charge supply to the Governor and to the Hydrographic Department of the Ministry of Defence in the United Kingdom all bathymetric data or other hydrographic information the Licensee acquires in the course of its operations under this Licence.

(5) The Licensee shall furnish the Governor with its audited business accounts of its income and expenditure in relation to the licensed area for each of its accounting periods any part of which falls within the currency of this Licence and such accounts —

(a) shall be furnished within six months after the end of the accounting period to which they relate;

(b) shall be in such format and comprise such documents as the Licensee and the Governor may from time to time agree in writing and in default of any such agreement shall be in such format and comprise such documents as the Governor may require;

(c) shall be prepared in accordance with statements of standard accounting practice from time to time in force and published by the Council of the Financial Reporting Council Limited of England or such other statements of accounting practice as may from time to time be approved for the purpose by the Governor; and

(d) if not prepared in English shall be accompanied by a notarised translation thereof into English.

Licensee to keep samples

29.—(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 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—

(a) the Licensee has at least six months from the date of the disposal given notice to the Governor of the Licensee's intention to dispose of the sample; and

(b) the Governor or any person authorised by him has not within the said period of six months informed the Licensee that he wishes the sample to be delivered to him.

(3) The Governor or any person authorised by him shall be entitled at any time —

(a) to inform the Licensee in writing that he wishes part of any sample preserved by the Licensee to be delivered to him; or

(b) to inspect and analyse any sample preserved by the Licensee.

(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

30.—(1) All records, returns, plans, maps, samples, accounts and information (in this clause referred to as “the specified data”) which the Licensee is or may from time to time be required to furnish under the provisions of this Licence shall be supplied at the expense of the Licensee and shall not without the consent of the Licensee (which shall not be unreasonably withheld) be disclosed to any person not in the service or employment of the Crown.

Provided that —

(i) the Governor 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 Governor by law;

(ii) the Governor shall be entitled at any time to furnish any of the specified data to the Secretary of State, Members of the Executive Council of the Falkland Islands under suitable conditions as to confidentiality and to the Natural Environment Research Council of the United Kingdom and to any body in the Falkland Islands or the United Kingdom carrying on activities of a substantially similar kind to the geological activities at present carried on by the said Council;

(iii) the Governor, the Natural Environment Research Council 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;

(iv) the Governor, the said Council and any such body shall be entitled to publish any of the specified data of a geological, scientific or technical kind after the expiration of the period of five years beginning with the date on which the Governor received the data or after the expiration of

such longer period as the Governor may determine after considering any representations made to him by the Licensee about the publication of data in pursuance of this sub-paragraph. PROVIDED HOWEVER that if the licence comes to an end for any reason on or before the expiration of the second exploration term the words “of the period of five years beginning with the date on which the Governor received the data” in the second and third lines of this paragraph shall be replaced by the words “of this licence”.

(2) For the purposes of this clause and of clause 31 —

(a) “the Crown” means Her Majesty in right of Her government in the United Kingdom or in right of Her government in the Falkland Islands; and

(b) a person engaged by, or in the employment of a person or body engaged by, the Crown to advise it in matters related to exploration for or exploitation of petroleum in the controlled waters is deemed to be in the service or employment of the Crown.

Inspection of records etc

31. The Licensee shall —

(a) permit any person in the service or employment of the Crown who is appointed by the Governor 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 Governor is entitled to obtain information in pursuance of clauses 24(2) and 28(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

32. Any person or persons authorised by the Governor 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 Governor may be entitled to execute or provide and install in accordance with the provisions of this Licence.

Power to execute works

33. If the Licensee shall at any time fail to perform the obligations arising under the terms and conditions of any of clauses 12, 17, 20 or 21 of this Licence, the Governor shall be entitled, after giving to the Licensee reasonable notice in writing of such his intention, to execute any works and to install and provide any equipment which in the opinion of the Governor 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

34. If and whenever any of the payments mentioned in clause 10(1) of this Licence or any part thereof shall be in arrears 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 Governor may (as an additional remedy and without prejudice to the power of distress and any other rights and remedies to which he would be entitled) enter into and upon any of the Licensee's installations and equipment used or to be used in connection with searching, boring for or getting petroleum in the licensed area and may seize and distrain and sell as a landlord may do for rent in arrears all or any of the stocks of petroleum, engines, machinery, tools, implements, chattels and effects belonging to the Licensee which shall be found in or upon or about the 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 incident to any such distress and sale rendering the surplus (if any) to the Licensee.

Indemnity against third party claims

35. The Licensee shall at all times keep the Governor, the Secretary of State, the Crown and all servants, employees or agents of the Crown effectually indemnified against all actions, proceedings, costs, charges, claims and demands whatsoever which may be brought 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

36. No statement shall be made in any notice, advertisement, prospectus or other documents issued by or to the knowledge of the Licensee or in any other manner claiming or suggesting whether expressly or by implication that Her Majesty (whether in right of Her government of the Falkland Islands or in right of Her government of the United Kingdom), the Secretary of State or the Governor, any Government Department in the Falkland Islands or in the United Kingdom or any person acting or body acting on behalf of Her Majesty has or have formed or expressed any opinion that the licensed area is from its geological formation or otherwise one in which petroleum is likely to be obtainable.

Restriction on assignment etc

37.—(1) The Licensee shall not, except with the consent in writing of the Governor and in accordance with the conditions (if any) of the consent do anything whereby, under the law (including the rules of equity) of the Falkland Islands or of any other place, 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) Without prejudice to the generality of paragraph (1) of this clause, an agreement or arrangement of any kind between the Licensee and any other person permitting the carrying out in the licensed area or any part thereof of any geological survey by physical or chemical means is hereby declared to require the consent in writing of the Governor pursuant to that paragraph, notwithstanding (if such be the case) that the survey is to be carried out for the exclusive benefit of, at the cost of or subject to the direction or control of the Licensee, except that no such consent shall be necessary if the person by whom such survey is to be carried out is —

- (a) the holder of a licence granted by the Governor 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 rights in the licensed area without the consent of the Licensee; or

(b) the holder of a licence granted by the Governor 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 Governor.

(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 Governor 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.

(4) The Licensee shall not, without the consent of the Governor, dispose of any petroleum won and saved in the licensed area in such a manner that the disposal does, to the knowledge of the Licensee or without the Licensee 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; and subsections (2) and (4) to (6) of section 416 of the Income and Corporation Taxes Act 1988 of the United Kingdom shall apply, for the purposes of determining whether for the purposes of this paragraph a person has control of another person, with the following modifications, namely —

(a) for the words "greater part" wherever they occur in the said subsection (2) there shall be substituted the words "one third or more"; and

(b) in the said subsection (6), for the word "may" there shall be substituted the word "shall", and the words "from such attributions" onwards shall be omitted and in the other provisions of that subsection any reference to an associate of a person shall be construed as including only a relative of his (as defined by section 417(4) of that Act), a partner of his and a trustee of a settlement (as defined by section 681(4) of that Act) of which he is a beneficiary.

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

(a) the benefit of any rights 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 Governor, but the preceding provisions of this paragraph do not apply to an agreement for the 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

38.—(1) If any of the events specified in the following paragraph shall occur then and in any such case the Governor may revoke this Licence and thereupon the same and the rights hereby granted shall cease and determine but without prejudice to any obligation or liability incurred by the Licensee or imposed upon the Licensee by or under the terms and conditions of this Licence.

(2) The events referred to in paragraph (1) of this clause are —

(a) any payments mentioned in clause 10(1) of this Licence or any part of such payments being in arrears or unpaid for two months next after any of the days whereon the same ought to have been paid;

(b) any breach or non-observance by the Licensee of any of the terms and conditions of this Licence;

(c) the bankruptcy of the Licensee;

(d) the making by the Licensee of any arrangement or composition with his creditors;

(e) if the Licensee is a company, the appointment of a receiver or any liquidation whether compulsory or voluntary;

(f) any breach or non-observance by the Licensee of the terms and conditions of a development programme (including any failure to implement such a programme within the time specified in any approval of the programme under clause 15).

(g) if the licensee shall at any time during the currency of this Licence win and save any petroleum without first having established (and if the same shall have been previously established without at the time in question maintaining) a permanent establishment in the Falkland Islands of a kind and nature approved by the Governor;

(h) any breach of a condition subject to which the Governor gave his approval in pursuance of clause 37(3) of this Licence;

(i) any breach of clause 41(5) of this Licence;

(j) if the Licensee shall at any time during the currency of this licence fail to pay and discharge in full within ninety days of the same having become due any tax lawfully payable by the Licensee under the provisions of the Taxes Ordinance 1997,

and where two or more persons are the Licensee and reference to the Licensee in sub-paragraphs (c) to (g) of this paragraph is a reference to each or either of those persons as may be requisite to enable the Governor to revoke this Licence if an event mentioned in those paragraphs has arisen in relation to one (but not necessarily all) of those persons.

(3) The Governor may revoke this Licence, with the like consequences as are mentioned in paragraph (1) of this clause, if —

(a) the Licensee is a company;

(b) there is a change in the control of the Licensee; and

(c) the Governor serves notice in writing on the Licensee stating that the Governor 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 in 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 of 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 and subsections (2) and (4) to (6) of section 416 of the Income and Corporation Taxes Act 1988 of the United Kingdom shall apply, for the purpose of determining whether for the purposes of this paragraph a person has or had control of the Licensee, with the modifications stated in clause 37(4) of this Licence.

(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;

(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”.

Arbitration

39.—(1) If at any time any dispute, difference or question shall arise between the Governor 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 Governor, be referred to arbitration as provided by the following paragraph.

(2) The arbitration referred to in the foregoing paragraph shall be in accordance with the Arbitration Act 1996 of England by a single arbitrator who, in default of agreement between the Governor and the Licensee and, in the case of arbitration in relation to a development scheme, other licensees, shall be appointed by the Chief Justice of the Falkland Islands for the time being.

(3) Unless otherwise agreed between the Governor and the Licensee, any arbitration under this clause shall take place in London.

(4) 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.

(5) The reference in paragraph (2) of this clause to the Arbitration Act 1996 of England shall be construed as including a reference to any statutory modification, amendment, replacement or re-enactment of the said Act for the time being in force in England.

Appointment of Agent of licensee

40.—(1) The Licensee appoints the person specified in paragraph 1 of Schedule 5 to this Licence as the Licensee's agent (hereinafter called "the Agent") for the purpose of service and receipt of service of all notices, notifications and proceedings whatsoever required to be or authorised to be served upon the Licensee under or in connection with this Licence, the Ordinance or any of the provisions of this Licence but nothing in this paragraph shall preclude the same being served additionally or instead upon the Licensee in the manner provided by clause 41 of this Licence.

(2) The Licensee shall not while any of the terms and conditions of this Licence remain in force revoke the appointment of the Agent nor shall any such revocation be effective unless at the same time the Licensee appoints another person resident in the Falkland Islands as the Licensee's agent in place of the Agent and forthwith notifies that appointment to the Governor in writing whereupon the provisions of this paragraph and of paragraph (1) of this clause shall apply in relation to the person so appointed as if that person had been appointed under paragraph (1) of this clause.

(3) The foregoing provisions of this clause have effect without prejudice to the provisions of Part X of the Companies Act 1948 in its application to the Falkland Islands, in so far and whenever the same may be applicable to the Licensee but the Licensee shall in discharge of the Licensee's obligations under section 407(1)(c) of the said Act (when and whenever applicable) appoint the same person as the person for the time being appointed under the foregoing provisions of this clause.

Notices

41.—(1) Notices and notifications to the Governor under the provisions of this Licence shall be sent or delivered to him at the address specified in relation to such notices and notifications in Schedule 5 to this Licence and shall additionally be sent or delivered in the like manner to the Attorney General, Falkland Islands Government, at the address specified in relation to him in that Schedule.

(2) Notices or notifications to the Agent under the provisions of this Licence shall be sent addressed to the Agent at the address specified in relation to the Agent in the said Schedule 6.

(3) Notices to or notifications to the Licensee under the provisions of this Licence to the Licensee shall be sent addressed to the Licensee at the address specified in relation to the Licensee in the said Schedule 6.

(4) Where any notice or notification is sent by telephonic facsimile transmission to any person under any of the foregoing paragraphs of this clause, a copy of it shall be sent on the same day to the same

addressee by the quickest available postal means and the notice shall be deemed to have been received by the addressee on the day on which, in the ordinary course of post, the notice would ordinarily have been received if sent by that postal means to the addressee on the day and at the time the copy of it was posted as hereinbefore provided.

(5) All notices and notifications under this Licence shall be in English.

Governing law and jurisdiction

42.—(1) This Licence is governed by the law of the Falkland Islands.

(2) Save as is provided by paragraph (3) of this clause and clause 39(1) (arbitration), the Supreme Court of the Falkland Islands has sole and exclusive jurisdiction in relation to any dispute, difference or question arising between the Governor and the Licensee under and by virtue of this Licence.

(3) In respect of any sum or sums owed by the Licensee under any provision of this Licence, the Governor or Her Majesty in right of Her government in the Falkland Islands may bring proceedings in any court of competent jurisdiction in the country of the Licensee's incorporation or, in the case of an individual, his place of residence as well or instead of the Supreme Court of the Falkland Islands and similarly may seek to enforce any judgment of the Supreme Court of the Falkland Islands against the Licensee for any such sum or sums in any such court.

Entire agreement

43.—(1) This Licence represents the entire agreement of the parties thereto as to its subject matter as at the date of this Licence.

(2) No variation in the provisions of this Licence shall have effect unless it is in writing and signed by the Governor.

Schedules

44. The five Schedules immediately following form part of this Licence and shall have effect for the purposes of this Licence.

Schedule 1

(clause 2)

DESCRIPTION OF BLOCKS TO WHICH THIS LICENCE RELATES

[These will be blocks numbered on the reference map referred to in clause 2 of the Licence and this Schedule must be appropriately completed in the Licence as granted]

Schedule 2

(clause 10(1))

ACREAGE RENTS

As to initial term

1. The Licensee shall in respect of the initial term pay to the Governor without any deduction whatsoever —

(a) an annual rent of \$30 for every square kilometre or part thereof for the time being comprised in this Licence during the initial term;

(b) an annual rent of \$250 for every square kilometre or part thereof for the time being (except as a discovery area or as a production field) for the time being comprised in this Licence during the second exploration term;

(c) as to discovery areas be \$375,000; and

(d) as to production fields \$375,000 for every square kilometre thereof (provided that no rent shall be payable in respect of which royalty is payable),

and such rent shall be payable annually in advance, the first payment being due on the date of this licence.

Annual rents

2. The said annual rents shall —

(a) be paid annually in advance, the first payment being due and payable on the grant of this Licence and subsequent payments being due and payable on each anniversary of this Licence falling within the initial term;

(b) be paid to such account in the name of the Falkland Islands Government of such branch of such bank in the Falkland Islands or in London as the Financial Secretary of the Falkland Islands may from time to time notify in writing to the Licensee.

Schedule 3

(clause 11(4))

INFORMATION TO BE CONTAINED IN RETURNS BY LICENSEES

1. A return in respect of a relevant period shall give the following information in relation to petroleum won from the licensed area that is to say —

(a) in the case of each delivery in the period of petroleum, the return shall state —

(i) the quantity delivered;

(ii) the person to whom it was disposed of;

(iii) the tax disposal value of the petroleum; and

(iv) contain other particulars of or relating to the disposal as the Financial Secretary by notice in writing to the Licensee may from time to time require the Licensee to provide;

(b) in the case of each relevant appropriation of petroleum in the period, the return shall —

- (i) state the quantity of petroleum appropriated;
 - (ii) state the consideration for which the petroleum is deemed to have been disposed of for tax purposes; and
 - (iii) contain such other particulars of or relating to the appropriation as the Financial Secretary by notice to the Licensee may from time to time require the Licensee to provide.
- (c) in the case of petroleum which, at the end of the period, has either not been disposed of and not relevantly appropriated or has been disposed of but not delivered, the return shall —

- (i) state the quantity of the petroleum;
- (ii) state the consideration for which the petroleum would have been deemed to have been disposed of for tax purposes if it has been relevantly appropriated on the last day of the relevant period; and
- (iii) contain such other particulars relating to the petroleum as the Financial Secretary by notice to the Licensee may from time to time require the Licensee to provide.

2. In this Schedule "tax disposal value" has the same meaning as it has under clause 11(3).

Schedule 4

(clause 3)

WORK PROGRAMME FOR INITIAL TERM AND SECOND EXPLORATION TERM

Work Programme

[Here set out the work programme agreed between the Licensee and the Governor before the grant of the Licence]

Schedule 5

(clauses 40 and 41)

PARTICULARS OF AGENT OF LICENSEE AND ADDRESSES FOR NOTICES

1. Agent appointed by the Licensee —

(a)	(b)
Name	Address
<i>[To be completed appropriately in the Licence]</i>	

2. Address for notices and notifications to the Governor —

[To be completed appropriately in the Licence]

(and, if sent by telephonic facsimile transmission, to be sent to [International Access Code] + 500 where applicable 27434)

3. Address for notices and notifications to the Attorney General, Falkland Islands —

[To be completed appropriately in the Licence]

(and, if sent by telephonic facsimile transmission, to be sent to [International Access Code] + 500
where applicable 27276)

4. Address for notices and notifications to the Licensee —

[To be completed appropriately in the Licence]

(there will then follow the execution of the Licence as a Deed by the Governor and the Licensee).