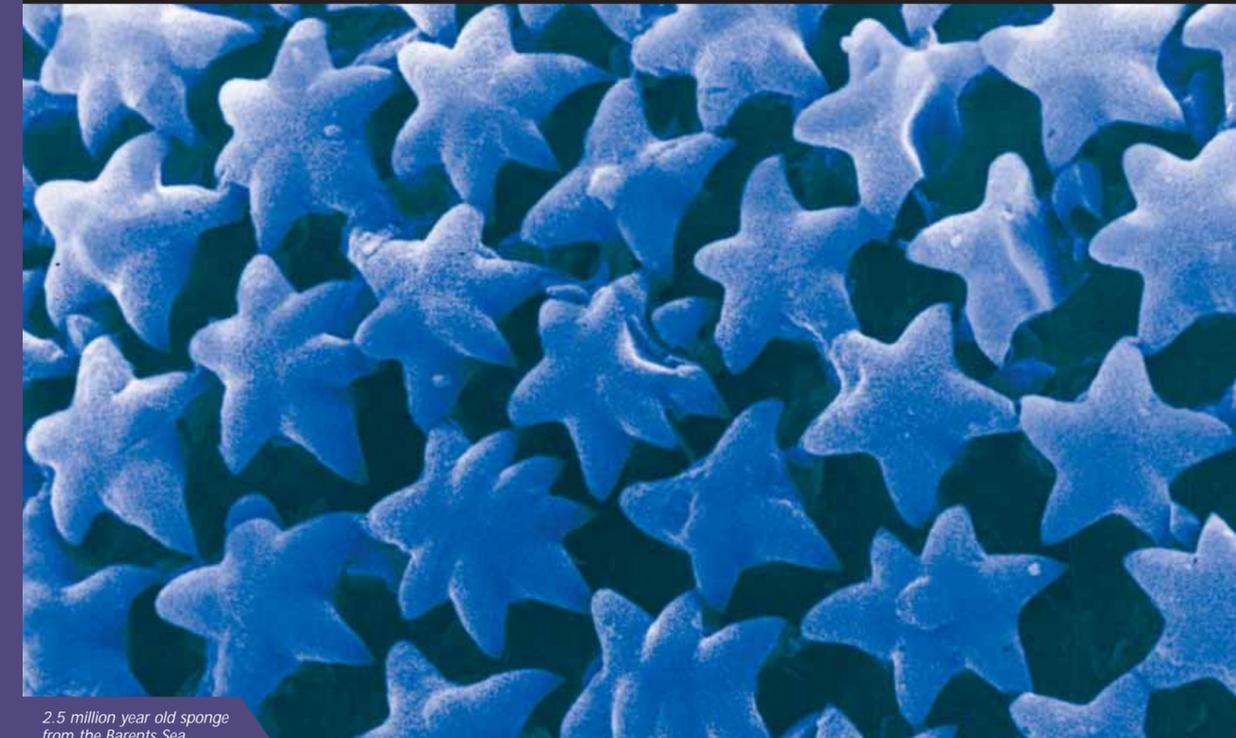


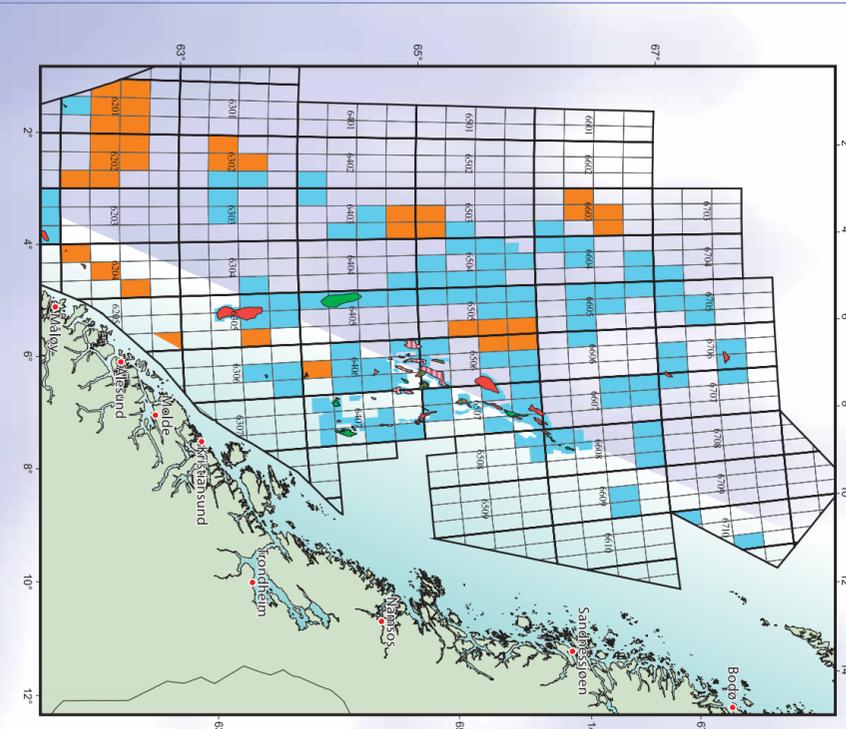
# Conditions relating to environmental concerns and fishery interests

## 19<sup>th</sup> Licensing Round



2.5 million year old sponge from the Barents Sea.

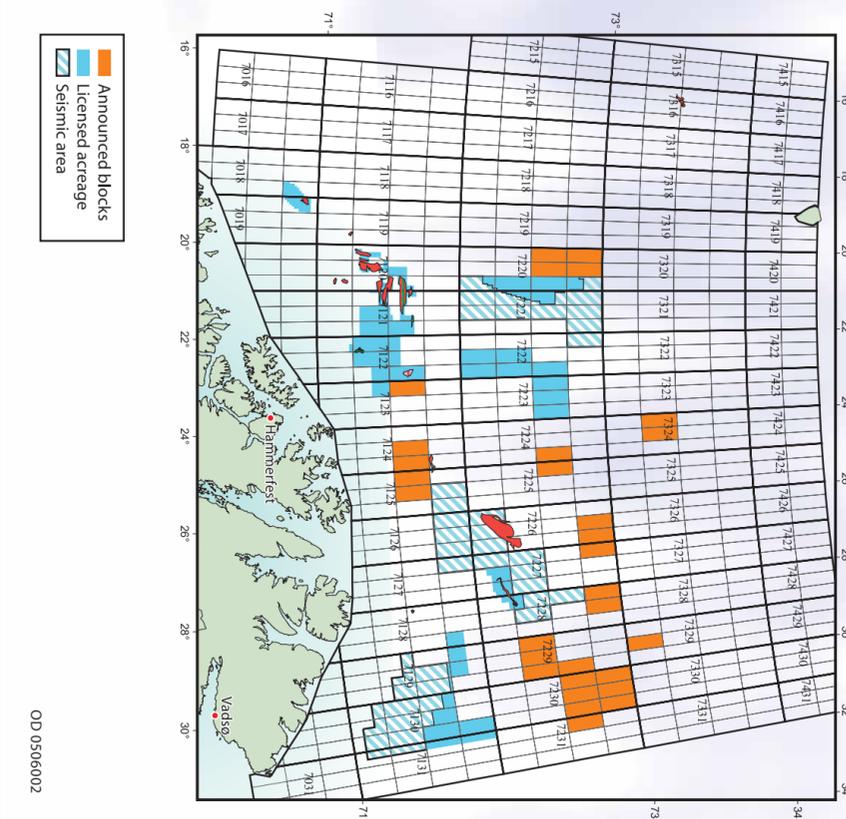
## Norwegian Continental Shelf



Norwegian Sea

# Announced blocks in the 19<sup>th</sup> Licensing Round

Barents Sea



### Conditions for the award (cf. item 4b in the announcement)

When planning drilling activities, particular care must be taken with respect to fishery activities and marine organisms. Prior to exploration drilling, measures to inform the parties concerned must be taken.

When planning seismic surveys, the licensees must take particular care with respect to fishery activities and marine organisms at critical stages in their life cycles.

The licensees are required to undertake necessary mapping of possible coral reefs in the awarded blocks, and to ensure that coral reefs present are not damaged by the petroleum activity.

The licensees are required to map and report discoveries of shipwrecks and other cultural monuments that may be affected by activity in the awarded blocks and, in co-operation with the Directorate for Cultural Heritage, ensure that any cultural monuments are not damaged by the petroleum activities.

In due time and prior to the commencement of exploration drilling, the operator shall, on behalf of the licensees, consult the Norwegian Pollution Control Authority (Statens Forurensningstilsyn) and the Petroleum Safety Authority (Petroleumstilsynet) to clarify the need for discharge permits and consent applications.

In accordance with the Report to the Storting no. 25 (2002 - 2003) there shall as a main rule be zero discharge of environmentally harmful components to the sea. Furthermore, it is a goal that the risk of environmental damage caused by other chemical components is minimized. The target of zero discharge applies to all offshore operations, both drilling and well operations, as well as production and discharges from pipelines. For each single field an overall evaluation of relevant issues, including environmental consequences, safety related matters, reservoir related issues and issues relating to costs shall be undertaken in order to choose the most suited measures to achieve the zero discharge target. This evaluation will be undertaken in connection with the impact assessment study that, according to the Petroleum Act, must be undertaken as a part of the Plan for Development and Operation (PDO)

Parts of the acreage included in the round are situated in areas with distinct challenges relating to the environment. This applies to the blocks 6204/6, 8, 10, 6205/3, 6305/6 and 6406/11. In the overall evaluation that will take place in order to find the most suited measures to achieve the zero discharge target in the event of possible future production in these blocks, particular importance will be attached to the issue of avoiding potential damage to the environment. In the eventuality of future Plans for Development and Operation of stand alone development projects, special conditions with regard to the marine environment can be introduced.

The operator shall, by means of risk analysis, cf. Regulations relating to management in the petroleum activities of 3 September 2001, identify the environmental considerations which the licensees deem to be critical to their preparation of an oil spill contingency plan, cf. Regulations relating to executions of activities in the petroleum activities of 3 September 2001, and for planning the measures employed in order to reduce the risk of such pollution. The analysis of environmental risks shall also include an evaluation of the effects of operational discharges during exploration drilling.

Requirements relating to contingency plans in the event of an accidental oil spill will be stipulated according to the Pollution Control Act (Forurensningsloven) and the Regulations relating to this act, when specific plans for drilling activities are available. Approval for drilling is, among other factors, subject to the contingency plans. In determining the extent of these requirements distance to the shoreline, distance to environmentally sensitive areas, and effects on other commercial interests will, among other aspects, be taken into consideration. Pursuant to existing regulations, special requirements will be put in place with regard to contingency plans in the areas nearest to the coast, in particular blocks 6204/6, 8 and 10 and 6205/3.

The blocks 6205/3, 6204/6, 8 and 10 are situated in important spawning grounds for herring and other species of fish. There is also an extensive fishing activity in the area in certain times of the year. In this area neither seismic surveys nor exploration drilling in oil-bearing formations is permitted between 1 February and 15 June. Outside this period, prior to commencement of drilling in oil-bearing formations, contact with the Directorate of Fisheries (Fiskeridirektoratet) should be established.

The blocks 6205/3, 6204/6, 8 and 10 are situated in important spawning grounds for herring and other species of fish. In case of future developments of petroleum resources in this area emphasis should be put on using development solutions which minimise the effects for the seabed in the area. In connection with authority approval processes of future plans for development and operation of possible discoveries in this block, the authorities attach particular importance to proper fulfilment of this condition.

In the blocks 6205/3, 6204/6, 8 and 10 there is an extensive fishing activity. In case of future developments of petroleum resources in this area emphasis should be put on using development solutions that minimise the negative operational effects for the fisheries.

Pursuant to the Report to the Storting no. 38 (2001-2002) it is expected that the industry will still contribute to the biological monitoring of living marine resources in order to survey possible effects of the petroleum activity.

The Government also sees a continued need to improve the knowledge of occurrence of seabirds in areas that can be affected by discharges from petroleum activities. It is expected that the industry will contribute to the mapping of seabirds in the Norwegian Sea in connection with environmental impact assessment studies accompanying plans for development and operation in the event of new stand alone developments of fields in this area.

For the announced blocks in the Barents Sea the conditions described in the "Impact Assessment of all year petroleum activity in the Lofoten - Barents Sea area" shall apply. This means that

- The operations shall be based on injection, or other technologies, that prevents discharges of produced water. In the event normal operations a maximum 5 % of the produced water may be discharged, on the condition that it is treated prior to discharge. Precise requirements for treatment of such discharges will be issued by concessionary authorities with regard to concrete activities.
- Drill cuttings and drilling fluid are re-injected or transported to land before being deposited. Drill cuttings from the top-hole section may normally be discharged. This is on the condition that the discharge does not contain any components with environmentally unacceptable properties. This applies to areas where the potential for damage to vulnerable environmental components is considered to be low. Such considerations shall be based on thorough mappings of vulnerable environmental components (spawning grounds, coral reefs and other sea bed fauna). Such discharges will be subject to application and permission from the concession authorities.

It is expected that planning for exploration drilling and seismic surveys in the Barents Sea takes place in consultation with the Fishery Authorities in order to reduce any operational inconveniences for the fisheries.

With regard to possible development projects in the Barents Sea special emphasis will be laid on preventive measures against unintended discharges.

The Government intends to consider the Integrated Management Plan for the Barents Sea prior to award of blocks in the 19th Licensing Round in the 1st quarter of 2006. Possible award of, and conditions of award for the blocks 7123/4, 7124/5, 7124/6, 7125/4 and 7125/5 are conditional on not being in conflict with the conclusion of the Integrated Management Plan.



# Invitation to apply for petroleum production licence

(Unofficial translation)

- Through a broad announcement with 64 blocks in the Barents Sea and in the Norwegian Sea we lay the foundation for new activity and value creation in the North. This is the first announcement in frontier areas in the Barents Sea since 1996. The areas now announced represent core areas that will lay the foundation for efficient exploration in little known areas of the Norwegian Continental Shelf. The announced areas represent a large variation of challenges and possibilities and should appeal to a broad spectrum of companies.

Thorhild Widvey  
Minister of Petroleum and Energy

Licensing rounds in frontier areas constitute one of the Government's most important instruments to maintain activity on the Norwegian Continental Shelf, and to meet the Government's target of realizing the Long Term Scenario.

The Barents Sea is an exciting petroleum province on the Norwegian Continental Shelf, where in all in excess of only 60 exploration wells have been drilled. It is assumed that large undiscovered resources on the Norwegian Continental Shelf may be found here. The knowledge of the geology is however limited and today's resource estimates may be adjusted upwards if new discoveries are made. The Government has therefore chosen to include important blocks in the Barents Sea in the 19th licensing round. The blocks that have been announced represent core blocks that can give valuable information about larger areas. Increased Norwegian activity in the Barents Sea will also lay the foundation for what may become the most important petroleum province in Europe.

Interesting blocks in the Norwegian Sea have also been included in the 19th licensing round. These blocks represent different challenges and opportunities than the blocks in the Barents Sea. With areas in both the Barents Sea and the Norwegian Sea the 19th licensing round offers a wide range of opportunities and should appeal to both new and established, large and smaller, companies.

The Barents Sea is however also an area that possesses large natural riches and which is important for other industries. In connection with the announcement great emphasis has therefore been put on balancing the interests of the fisheries, the fish farming industry and the petroleum sector within the framework of a sustainable development. The announcement is in line with the strict environmental conditions on petroleum activities that accompanied the Government's decision to re-open Barents Sea. Furthermore, any future award and conditions of award of the blocks 7123/4, 7124/5, 7124/6, 7125/4 and 7125/5 are conditional on not being in conflict with the Government's conclusions in the Integrated Management Plan.

In total the announced area comprises 64 blocks or parts of blocks.

Deadline for submission of applications to the 19th licensing round is 12.00 a.m. on the 15th of November 2005. The award of production licenses is planned to take place in the first quarter of 2006.

The photo on the front page shows the surface of a 2.5 million year old sponge from an exploration well in the Barents Sea. Each "star" is 0.005 mm in diameter. Photo: Finn Moe and Tor Eidvin, NPD

**1** The Royal Ministry of Petroleum and Energy (the Ministry) hereby announces an invitation to apply for petroleum production licences on the Norwegian Continental Shelf, in accordance with the Act of 29th of November 1996 No.72 pertaining to Petroleum Activities (the Petroleum Act) and the Petroleum Regulations laid down by Royal Decree of 27th of June 1997 (the petroleum Regulations).

**2** Production licences will only be awarded to joint stock companies registered in Norway or in another state party to the Agreement on the European Economic Area (the EEA-Agreement), or to natural persons domiciled in a state party to the EEA-Agreement. The Joint Stock Company shall have a minimum equity share capital of NOK 1 million or an amount equivalent to this in the currency of the country of registration.

Companies that are not licensees on the Norwegian Continental Shelf may only apply for licences if they have been pre-qualified as licensees before the closing date for applications.

Individual applicants and companies applying as part of a group will be treated on equal terms by the Ministry. Applicants submitting an individual application, or applicants being part of a group submitting a joint application, will be considered as an applicant for a production licence. The Ministry may, on the basis of applications submitted by groups or individual applicants, put together licence groups of applicants and appoint the operator for such groups.

**3** The award of production licences will be carried out in accordance with the previously established practice for awards on the Norwegian Continental Shelf. This implies that the acreage, location, licence period, work obligation, and other block specific conditions will be stipulated at the time of the award.

Applications for participation interest in production licences may be submitted for the following blocks or part of blocks:

6201/4, 5, 6, 7, 8, 9  
6202/4, 5, 7, 8, 9, 12  
6204/6, 8, 10  
6205/3 (North-west half)  
6302/5, 7, 8  
6305/6  
6403/2, 3  
6406/11  
6503/11, 12  
6505/3, 6, 9  
6506/1, 4  
6603/5, 6, 7, 8

7123/4  
7124/5, 6  
7125/4, 5  
7220/1, 2, 4, 5  
7224/6

7225/4  
7226/2, 3  
7227/1  
7228/1, 2  
7229/6, 7, 8, 9  
7230/1, 2, 3, 4, 5, 6  
7231/4  
7324/7, 8  
7329/11

A production licence may comprise one or more block(s) or part of block(s).

**4** Conditions for the award

a) As a condition for the award of a participating interest in a production licence, the licensees will be required to enter into a Joint Operating Agreement and an Accounting Agreement for Petroleum Activities with the other participants.

Upon signing the Agreements the licensees will form a joint venture in which the size of their participating interest will at all times be identical to their participating interest in the production licence.

The licence documents will mainly be based on relevant documents for the 18th Licensing Round on the Norwegian Continental Shelf. The aim is to make the main elements of any adjustments to the framework available to the industry prior to the time of application.

b) The conditions relating to environmental concerns and fisheries interests are stated in detail on the back of this pamphlet. More specific conditions are attached to some of the blocks.

c) The Ministry may designate specific bases to be used by the licensee.

**5** Negotiation issues

The Ministry reserves the right to negotiate terms with the applicant on the following issues:

a) The extent and content of the work obligation;

b) The duration of the initial period for the production licence, and the duration of the licence period after expiry of the initial period;

c) The extent of and time schedule for relinquishment of acreage.

In the 19th licensing round, the length of the initial period of award for a production license cf. the Petroleum Act will be based on conditions specific to each block.

As a general rule, upon expiry of the initial period, the part of the area that does not comprise resources proven by exploration

drilling shall be relinquished.

Applicants recommending exception to this rule shall state the specific reasons for doing so.

**6** Award criteria

Within the framework of good resource management which favours efficient exploration for and production of petroleum on the Norwegian Continental Shelf, including the composition of licence groups to ensure this, the following criteria will apply to the award of participation interests in production licences and to the appointment of operator:

a) The relevant technical expertise of the applicant, including expertise related to development work, research, safety and the environment, and how this expertise may actively contribute to cost effective exploration and, when appropriate, the production of petroleum from the geographical area in question.

b) That the applicant has the satisfactory financial capacity to carry out exploration for and, when appropriate, production of petroleum in the geographical area in question.

c) The applicant's understanding of the geology in the geographical area in question, and how he proposes to carry out efficient exploration for petroleum.

d) The applicant's experience on the Norwegian Continental Shelf or equivalent relevant experience from other areas.

e) Experience regarding the applicant's activities.

f) Where applicants apply as part of a group, the composition of the group, the operator recommended and the competence of the group viewed as a whole will be taken into account.

**7** State participation

At the time of the award, state participation may be stipulated in each production licence. Petoro AS is the licensee on behalf of the State's participating interest (the State's Direct Financial Interest - SDFI).

**8** The application shall, regardless of whether the application is submitted by an individual applicant or by applicants applying as part of a group, include the following information, and in the following order:

a) Name, address and nationality of the applicant(s), including the name of the person who will serve as liaison in Norway to the Norwegian authorities.

b) The block(s) applied for. The application shall refer to block numbers as specified in the announcement.

If the applicant(s) applies for more than one production licence, a priority shall be assigned. Applicants applying as part of

a group may submit their priority list separately. The applicant shall state the ideal size of the participating interest that he wishes to be awarded in the individual license, and also the lower and upper boundaries of the participating interest that may be of interest. The applicant(s) shall also state whether he/the group applies for operatorship in any of the production licences.

c) The applicant(s) shall state the following recommendations:

- the extent, content and time schedule for the work obligation he/the group proposes to undertake to ensure efficient exploration of the acreage covered by a production licence;
- the duration of the initial period of the production licence;
- the duration of the licence period after the expiry of the initial period;
- the extent and time schedule for relinquishment of acreage.

The above mentioned terms shall be adjusted to the specific characteristics of the block with a view to obtaining the highest value added from the relevant geographical area.

d) The applicant(s) shall give a summary of the application. The summary should state clearly if it is a group application.

e) In Part 1, the applicant(s) shall give a regional geological evaluation of new exploration areas or new play models.

f) In Part 2, the applicant(s) shall give a geological and technical/economical evaluation of the block(s) applied for.

g) In Part 3, the applicant(s) shall give a description of exploration strategy and work obligation.

h) In Part 4, the applicant(s) shall give information on company related matters.

i) In Part 5, the applicant(s) shall give information on its expertise and experience in technology, safety, working environment and broader environmental matters.

Where the principal place of business of the applicant or his ultimate parent company is outside Norway, the applicant shall state whether a Norwegian company, in principle, is entitled to obtain a similar licence in the country in which the applicant or his ultimate parent company have their principal place of business.

In cases where the applicant applies as part of a group, and for reasons of confidentiality does not wish to submit a joint set of documentation, technical/economical evaluation and information on company related matters, may be submitted individually.

Guidelines for the preparation of an application for a production licence, schemes, and block coordinates for the blocks announced may be found at the Norwegian Petroleum Directorate's internet homepage at the following address:

[http://www.npd.no/Norsk/Emner/Ressursforvaltning/Undersokelse\\_og\\_letting/Konsesjonsrunder](http://www.npd.no/Norsk/Emner/Ressursforvaltning/Undersokelse_og_letting/Konsesjonsrunder) (Norwegian) or  
[http://www.npd.no/English/Emner/Ressursforvaltning/Undersokelse\\_og\\_letting/Konsesjonsrunder](http://www.npd.no/English/Emner/Ressursforvaltning/Undersokelse_og_letting/Konsesjonsrunder) (English)

The Ministry may require additional information. Business information contained in the application and the enclosures will be kept confidential by the Ministry and the Norwegian Petroleum Directorate, regardless of the time limit stipulated in the Petroleum Regulations, Section 73.

**9** For handling of an application for a production licence, a fee is due upon submission of the application. The fee is NOK 60.000, cf. the Petroleum Regulations, Section 9. The fee must be paid by each company applying individually and each group applying collectively. The fee is fixed and not dependent on the number of areas or production licenses included in the application.

The fee shall be paid to the State, c/o the Norwegian Petroleum Directorate, current account No.7694.05.00326. The payment should be marked 19th Licensing Round. A copy of the receipt for said payment should be attached to the application.

**10** The King in Council shall not be obliged to award any production licence on the basis of applications received, cf. the Petroleum Act, Section 3-5, third paragraph.

**11** An application for a production licence should be delivered to

**The Royal Ministry of Petroleum and Energy**  
P.O. Box 8148 Dep.  
0033 OSLO  
NORWAY

before 12.00 AM 15 November 2005. All applications submitted before this date and time shall be considered as received simultaneously.

One copy of the application, including digital forms shall be submitted to the Ministry. Two copies of the application including digital forms shall be submitted to

**The Norwegian Petroleum Directorate**  
P.O. Box 600  
4001 STAVANGER  
NORWAY

The application, including enclosures, may be written in Norwegian or in English.

**12** The award of production licences in the 19th Licensing Round on the Norwegian Continental Shelf is planned to take place during the first quarter of 2006.