

Invitation to apply for petroleum production licence

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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 29 November 1996 No.72 pertaining to Petroleum Activities (the Petroleum Act) and the Petroleum Regulations laid down by Royal Decree of 27 June 1997 (the Petroleum Regulations).

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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 which are not licensees on the Norwegian Continental Shelf may be awarded licences if they are prequalified as licensees on the Norwegian Shelf.

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, determine the composition of the licence groups and appoint the operator for such groups.

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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 participating interests in production licences may be submitted for the blocks that are not licenced within the predefined area, which are marked out on the maps in this pamphlet. It is also possible to apply for acreage that is relinquished within the predefined area before the submission deadline. Updated maps (Norwegian Petroleum Directorate's interactive Factmaps) that show the available area are found on the NPD's web-page.

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

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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 an Agreement for Petroleum Activities, including a Joint Operating Agreement and an Accounting Agreement. If the production licence is stratigrafically divided, above or below another licence, the

licensees will also be required to enter into a Joint Operating Agreement between the stratigraphically divided production licences.

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

The licence documents will mainly be based on relevant documents from the Awards in Predefined Areas 2009. 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 fishery interests are stated in detail on the back of this pamphlet. Specific conditions are attached to certain blocks.
- c) The Ministry may designate specific bases to be used by the licensees.

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Negotiation issues

The Ministry reserves its right to negotiate terms with the applicant(s) on the following issues:

- a) The content, extent and time schedule for the work obligation(s).
- b) The duration of the initial period of the production licence, and the duration of the licence period after expiry of the initial period.
- c) The area of the production licence.

Decision on the length of the initial period, cf. the Petroleum Act Section 3-9, will in the Awards in Predefined Areas 2010 be made on the basis of block specific conditions.

The work obligations in the production licences will as a main rule include requirements for a work schedule for licence activities towards the submission of a plan for development within the initial period. The work obligations will consist of a series of decision points and corresponding licence activities that should be fulfilled within given time frames. In case of non-compliance with the work schedule, the production licence should be relinquished or it will lapse. The Ministry, with a copy to the NPD, shall be informed about the decision taken in each decision point. If relinquished, the licensees shall within three months send the NPD a status report. This status report shall contain a summary of collected data, any studies including the results from these, plus an account of the prospectivity in the relinquished area.

The work obligations may be formulated in such a way that the licence group is initially given a period to carry out a seismic obligation before it decides on whether to carry out the drilling obligations required or relinquish the entire area of the production licence.

Further, the work obligation will as a main rule include a requirement to, within the initial period, submit to the Ministry for approval, a plan for development of the deposit concerned.

In such case, the licensee shall, within a given time frame, decide whether he wants to submit a plan for development. If one or more licensees decide not to submit a plan for development, the interest(s) concerned must be taken over by the other licensee(s) or by a third party. Otherwise, the production licence will lapse. The licensees deciding to prepare a plan for development will be given an additional time period within the initial period to complete and submit the development plan for approval. If a plan for development is not submitted, the production licence will lapse.

Upon expiry of the initial period, the area covered by the production licence that is not included in the submitted plan for development, shall, as a main rule, be relinquished.

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Award criteria

To promote good resource management and rapid and efficient exploration for and production of petroleum on the Norwegian Continental Shelf, including the composition of licence groups to ensure this, the following criteria shall apply to the award of participating 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, as 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, as appropriate, production of petroleum in the geographical area in question.
- c) The applicant's geological understanding of the geographical area in question, and how the licensees propose to perform 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 collective competence of the group will be taken into account.
- g) Production licences will mainly be awarded to a joint venture where at least one participating interest have drilled at least one well on the Norwegian Continental Shelf as operator or have equivalent relevant operational experience outside the NCS.
- h) Production licences will mainly be awarded to two or more participating interests, where at least one has experience as mentioned under g)

i) The appointed operator for production licences in the Barents Sea shall have drilled at least one well on the Norwegian Continental Shelf as operator or have equivalent relevant operational experience outside the NCS.

j) The appointed operator for production licences in deep waters shall have drilled at least one well on the Norwegian Continental Shelf as operator or have equivalent relevant operational experience outside the NCS. In the production licence one participating interest shall have drilled in deep waters as operator.

k) The appointed operator for production licences where drilling of exploration wells in high pressure and/or high temperature (HPHT) is expected, shall have drilled at least one well on the Norwegian Continental Shelf as operator or have equivalent relevant operational experience outside the NCS. In the production licence one participating interest shall have drilled a HPHT-well as operator.

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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)

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Application letter

All companies applying for production licences in APA 2010, individually or as part of a group, shall within the application deadline deliver a formal application letter together with the application(s). If the company only participates in applications delivered by other companies, the letter shall be sent to the Ministry of Petroleum and Energy (MPE) and to the Norwegian petroleum Directorate (NPD). The application letter shall be in accordance with guidelines on NPDs website:

<http://www.npd.no/APA2010>, and include the following:

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) Overview of all applications the company participates in, listed by priority. The applicant shall state the ideal size of the participating interest that the applicant wishes to be awarded in the individual licence, and also the lower and upper boundaries of the participating interest that can be accepted. The applicant shall also state whether the company applies for operatorship in any of the production licences.

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Information about the company

All companies applying for production licences in APA 2010, individually or as part of a group, shall within the application deadline provide information on company related matters to the authorities. The information shall e.g. give an account of major changes in the ownership structure and/or financial aspects and organizational

changes for their activities in Norway which are relevant for evaluation of the application.

Information on financial and company related matters and shall be in accordance with guidelines on NPDs website: <http://www.npd.no/APA2010>.

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Application

Each application for awards in APA 2010 shall include the following information, and in the following order:

- a) Summary of the application.
- b) Geological evaluation of the block(s) applied for.
- c) Description of the anticipated reservoir and development solutions for the block(s) applied for.
- d) Description of:
 - the extent, content and time schedule for the work obligation the applicant(s) proposes to undertake for 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 above mentioned terms shall be adjusted to the specific characteristics of the block(s), with the aim of obtaining the highest value added from the relevant geographical area.

Applications for additional acreage to existing production licenses have reduced requirements regarding content.

Guidelines for the preparation of an application for a production licence, forms and block coordinates for the blocks announced are available at the NPD's Internet webpage at the following address: <http://www.npd.no/tfo2010> (Norwegian version), or <http://www.npd.no/apa2010> (English version).

The authorities may require additional information.

Business information contained in the application and the enclosures will be kept confidential by the authorities, regardless of the time limit stipulated in the Petroleum Regulations, Section 85.

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Fee

For handling of each application for a production licence, a fee is due upon submission of the application. If the fee is not paid, the application is considered not handed in.

The fee is NOK 109.000 for *each* application for a production licence, cf. the Petroleum Regulations, Section 9. In the cases where several companies apply as a group, this counts as one application. One of the group members shall in this case see to a joint payment of the fee for 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 "APA 2010_(block no)". A copy of the receipt for said payment shall be attached to the application letter from the company.

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

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An application for a production licence may be received by:

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

before 12.00 a.m. on 15 September 2010. All applications submitted before this date and time shall be considered as received simultaneously.

One copy of the application shall be submitted to the Ministry. Two identical copies of the application shall within the same date and time as above be submitted to:

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

The application may be written in Norwegian or in English.

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The award of production licences in the Awards in Predefined Areas 2010 on the Norwegian Continental Shelf is planned to take place end of 2010 / early 2011.