Guidelines for application for production permit

Revised 5 February 2019

1 Introduction

The fundamental principle of Section 4-1 of the Petroleum Act is that at much as possible of the in-place petroleum in each individual deposit, or several deposits in combination, shall be produced. By means of production permits, the Ministry stipulates the volume that can be recovered at any given time, pursuant to application from the licensee. This is governed in Section 4-4 of the Petroleum Act cf. Section 23 of the Petroleum Regulations.

2 Times and deadlines for applications

1. In connection with start-up of new fields, applications for production permits must be submitted no later than 6 weeks prior to the start of production.

2. For producing fields, applications for production permits for liquids and flaring/cold venting shall normally be submitted by 1 November. The permit applies for the next calendar year.

3. For fields with separate permits for gas, applications for production permits for deliveries of 40 MJ/Sm³ equivalent gas shall be submitted by 1 February. The permit applies from 1 October in the applied-for gas year, until 30 September of the following year.

3 Submitting the application

Applications for production permits shall be submitted to the Ministry of Petroleum and Energy (MPE), with a copy to the Norwegian Petroleum Directorate (NPD).

3.1 Application for production permit in connection with start-up of new fields

As a basis for applications for production permits for new fields, a status report before start-up of production must be prepared pursuant to Section 32 of the Resource Management Regulations. The content of the status report is discussed in a separate guideline.

The application for a production permit for a new field applies for the current calendar year or gas year. Even if start-up is at the end of the calendar year or the gas year, a separate application must still be submitted for the current period as well as an application for the coming period.

In connection with start-up of new fields, the flaring and cold venting volume in the application must be stated as the expected average million Sm³ per day per month. The start-up phase should be planned so the need for flaring is minimised, and activities must be prioritised appropriately. Flaring of petroleum in excess of what is necessary for safety reasons for normal operation is not permitted, unless approved by the Ministry.

A production permit will not be granted until the PDO is approved, or an exemption from the PDO has been granted, cf. Section 4-4 (1) of the Petroleum Act.
3.2 Application for production permit for liquids and flaring/cold venting for producing fields

As a basis for applications for production permits for producing fields, there must be sufficient documentation to allow for processing the application, including an annual status report for fields in operation, pursuant to Section 47 of the Petroleum Regulations, cf. Section 35 of the Resource Management Regulations. The content of the annual status report is discussed in a separate guideline.

The application must state how much petroleum is expected to be produced, flared and cold vented, as well as the volume that will be injected. The planned production volumes per month must be stated. The equivalent volumes in saleable petroleum must also be stated. The flaring and cold venting volumes must be stated as average million Sm³ per day per quarter. The permit applies for the coming calendar year. The application does not include gas for power production.

In the event of an assumed production overrun for liquids of 10 per cent or more, a new, revised application shall be submitted to the MPE as soon as possible, with a copy to the NPD. If production development during the period shows that production volumes will be reduced by 10 per cent or more compared to the volume applied for, no new application is needed, but the amended production volume (actually produced and expected production for the remaining period) must be reported to the MPE and the NPD as soon as possible, including reason(s) for the reduction.

In the annual application, there should be agreement between the applied for volumes of production/injection and the expected volumes for the coming year that are reported to the revised national budget (RNB). If the volumes deviate from figures reported to the RNB, this must be addressed and explained.

It is possible to apply a joint production permit for several fields. As this practice is established, it applies only for fields with the same distribution of licensee shares and use of common infrastructure.

Flaring of petroleum in excess of what is necessary for safety reasons for normal operations, is not permitted unless this is approved by the MPE, cf. Section 4-4 of the Petroleum Act. The flaring and cold venting volumes applied for should be assessed in relation to the previous period. If higher volumes are applied for as compared with the previous period, the cause of the increase must be described. For example, this could be changes or activities that could affect or result in increased flaring.

If cold venting or flaring deviates from the framework stated in the MPE’s permit, a new application must be submitted to the MPE, with a copy to the NPD, as soon as possible.

3.3 Application for production permit for fields needing a separate production permit for gas

Licensees can submit a separate production application for gas, if this is deemed expedient. This applies to the volumes of gas to be exported from the field covered by the production permit and applies to cases where volume and a long-term perspective in gas deliveries are important. The volume applied for defines maximum gas deliveries per gas year. The basic rule is to apply for a production permit covering gas and liquids, including flaring and cold venting.

In the annual application, there should be agreement between the gas volume applied for and the expected volumes for the coming year that are reported to the revised national budget (RNB). If the volumes deviate from figures reported to the RNB, this must be addressed and explained.
Transfer of volumes to the next gas year:

In the production permit resolution, the MPE will normally allow, in cases where deliveries are lower than the maximum allowed, that a gas volume equivalent to the difference between permitted and actual delivery can be produced in the subsequent years, beyond the stated volumes. This would constitute a potential additional volume in excess of the permitted volume in the production permit for the period. Potential accumulated volume over time does not replace a production permit.

As regards carrying forward of unused volume to the next gas year, where this is permitted in the individual decision on production permits, it is a precondition that this additional lifting does not conflict with the recovery strategy as described in the PDO and in the annual status report.

If the licensees make use of this arrangement, the annual production permit application shall contain an overview of how the accumulated volume has emerged, the balance and expected withdrawal in the gas year.

The production application shall indicate profiles for physical volumes and volumes converted into 40 MJ/Sm³ equivalent gas per gas year. The volume that is listed in the gas production permit is the total deliveries of 40 MJ/Sm³ equivalent gas from the field or fields covered under the production permit. Applications for a revised gas production permit can be made by 1 February of the following year.

4 Relevant references of significance for the production permit

Please note that, pursuant to Section 30a of the Petroleum Regulations licensees must obtain consent before a facility or parts of a facility are put to use for the first time.


For fields in production, reference is made to Section 35 of the Resource Management Regulations, cf. Section 47 of the Petroleum Regulations and "Annual status report for fields in production".

Enclosures

Information that should be included with applications for increase of existing production permit volumes for flaring/cold venting:

The application should include:

- Cause of extra flaring
- Estimated duration/schedule for correcting the cause
- Expected volume of extra flaring
- Assessments of how much production can be reduced while still maintaining a stable process
- Potential consequences for production or recoverable resources if the application is not granted
- Organisation’s flaring strategy in the event of unforeseen incidents
- Contact information for operator if additional information is needed

Implemented or planned measures to limit the level of flaring should also be described. Gas shall not be flared if the only purpose of this is to maintain oil production.
For example:

- Exploitation of export opportunities to reduce pressure before flaring
- Reduce production, shut down or limit production from wells with a high share of associated gas

Volumes related to planned maintenance that must be postponed can be transferred between quarters, subject to application.