Licensing system in Norway

29.01.2013
General
Licensing system in Norway

- Discretionary system
- The Government invites companies to apply for exclusive rights to petroleum activities in designated blocks
- Based on applications, production licences are awarded by the Government
- Production licence contains an exclusive right to exploration, drilling and production of petroleum within the license area
- The licensee is the owner of his proportionate share of the petroleum produced
Exploration History
Stepwise opening of the NCS for petroleum activities

1965: 1st Licensing Round

1980: Opening of new exploration areas, north of 62°

1989 og 1994: Opening of new areas in the Barents Sea and the Norwegian Sea
Licensing system in Norway

Opening of new areas for exploration:

• Areas not opened for exploration (NPD)
  • Geological and geophysical data acquisition by NPD
  • Scientific data acquisition
• Environmental assessment (ME)
  • White paper to the Parliament
• Impact assessment (MPE)
  • Environment, trade and industry, risk of pollution, economic and social effects
• Ministry proposes opening of areas for licensing
  • Overall consideration of resource potential and impact on society
  • White paper to the Parliament
• The Parliament opens new areas for licensing
Norwegian Continental Shelf (NCS)
Two systems for new awards

APA 2012
Awards in predefined areas

Mature areas –
Awards in
Predefined Areas (APA)

Less mature &
frontier areas –
traditional licensing
rounds every second year
The Norwegian licensing round
’Traditional’ Licensing Rounds - Milestones

NPD performs evaluations of the announced blocks. This forms an important basis for the evaluation of applications.
22. Licensing Round - Public hearing – Norwegian Sea

22nd Round – nominated blocks

Number of blocks nominated by the companies: 47

The NPD’s recommendation: 14
22. Licencing Round - Public hearing – Barents Sea

Number of blocks nominated by the companies: 181

The NPD’s recommendation: 72
The Norwegian Licensing Round

Announcement of blocks and areas

- Who can apply
- List of blocks and areas
- Conditions for the award
- Negotiation issues
- Award criteria
- Documentation requirements
- Fee for handling of an application: NOK 113 000,-
- Application deadline and time of award
The Norwegian licencing round

Conditions for the award:

• Enter a Joint Operating Agreement and an Accounting Agreement for Petroleum Activities with other participants
• Environmental concerns and fishery interests
• Specific bases may be designated by the Ministry
Conditions for the award – environmental concerns and fishery interests

- Fishery activities
- Marine organisms
- Cultural monuments

- Seismic surveys
- Drilling activities
- Production

- Some areas: Periods with restrictions/no activity

Text from "Invitation to apply for petroleum production licence":

b) The conditions relating to environmental concerns and fishery interests can be found at http://www.npd.no/22round. Specific environmental and fishery conditions are attached to certain blocks.
The Norwegian licensing round

Negotiation issues

a) Content, extent and time schedule for the work obligation(s)
   • Seismic (no. of km 2D seismic / square km 3D)
   • Exploration wells (no. of firm and contingent wells, and Total Depth)
   • Requirement for a work schedule for license activities towards the submission of PDO within the initial period
   • Work obligation will consist of series of decision points and corresponding activities that should be fulfilled within a given time frame
   • Non-compliance with the work schedule the license should be relinquished or it will lapse

b) Duration of the initial period and the license period after expiry of initial period
   • Duration of initial period: normally: (4-) 6 years (maximum 10 years)
   • Duration of the license period after expiry of initial period - normally: (15 -) 30 years after the initial period

c) Area of the production licence
   • One block, several blocks, part of block
   • Possibility for stratigraphical split
The Norwegian licencing round

**Award criteria**

a) Technical expertise

b) Financial strength

c) Geological understanding

d) The applicant’s experience - NCS or other equivalent areas

e) Experience regarding the applicant’s activities

f) If group application: composition of the group, recommended operator and collective competence

g) At least one participating interest has drilled at least one well as a operator on NCS or equivalent areas

h) Two or more participating interests, at least one has experience under g)

i) Operator for licences in the Barents Sea shall have drilled at least one well as a operator on NCS or equivalent areas

j) Operator for licences in deep waters shall have drilled at least one well as a operator on NCS or equivalent areas. One participating interest shall have drilled in deep water as operator

k) Operator for licences where drilling HPHT-wells are expected, shall have drilled at least one well as a operator on NCS or equivalent areas. One participating interest shall have drilled a HPHT-well as operator
The Norwegian licensing round

Documentation requirements

• State participation – State Direct Financial Interest (SDFI)
  • May be stipulated in each licence
  • Petoro AS is the licensee on behalf of SDFI

• Application letter
  • Companies applying individually or as part of group shall deliver a formal letter together with the application(s)
  • Companies that only participate in applications delivered by other companies shall send a letter to MPE and NPD

• Included in the letter
  • Name, address and nationality of the applicant(s), including the name of the person who will serve as liaison to the Norwegian authorities
  • 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

• Company information
  • Companies applying for licences individually or as part of a group, shall 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
The Norwegian licensing round
The Application

a) Summary of the application
b) Regional geological evaluation of the area
c) Geological evaluation of the blocks applied for
d) Technical-economical evaluation of the blocks applied for
e) Description of:
   • Exploration work obligation and time schedule
   • Duration of initial period and the licence period after expiry of initial period

NPD’s role in the application process

• Evaluation of the blocks and areas
  • Mapping
  • Prospect evaluation

• Handling of the technical parts of the applications
  • Review geological, technical and economic evaluations
  • Consider companies’ technical expertise, resource management, safety record and working environment record

• Rank companies according to award criteria

• Consider appropriate exploration work obligations

• Input to the awards process in the Ministry
The Norwegian licencing round
’Traditional’ Licensing Rounds - Milestones

NPD performs evaluations of the announced blocks. This forms an important basis for the evaluation of applications.
The Norwegian licensing round

The Award

- The operator
- The participating companies and their equity
- The State Direct Financial Interest (SDFI)

JOINT OPERATION AGREEMENT
ACCOUNTING AGREEMENT
Licence management

- Approval of work commitment
- Extension of decision points and corresponding activities
- Extension of initial licence period
- Approval of transfer to the license period after expiry of initial period
- Relinquishment of acreage
Data collection

- Seismic data
- Electric wireline logs
- Well cores
- Side wall cores
- Wet and dry samples of cuttings
- Oil samples
Plan for Development and Operation (PDO)

NPD considers the PDO and makes recommendations to the Ministry of Petroleum and Energy.
Licences beyond 200 M

Norwegian Continental Shelf (NOCS)
Limits and lines associated with the NOCS
Recommendation by CLCS
Agreed minutes with Denmark (Faeroes) and Iceland
Areas open for licensing
Licences awarded beyond or straddling 200 M limit line
Licenses awarded beyond or straddling 200 M limit line
Licences awarded beyond 200 M

• Licences beyond 200 M awarded under standard regulations and conditions

• Licences accepted based on the following proviso:

  • *These blocks are located outside of the 200 nautical miles economic zone. If awarded the licence may be subjected to conditions reflecting art. 82 in UNCLOS (Law of the Sea), stipulating a royalty to be paid.*

• Detailed regulations with regard to art. 82 have not yet been issued.
Licences awarded beyond or straddling 200 M limit line
Location of discoveries, fields and selected licences
Volcanic margin details
Summary:

- Exploration in phases
  - High authority control and participation in early phases
- Discretionary system
- Awards based on technical competence and financial strength
- Work commitments
- Awards made by the Government
- Opening of new areas by Parliament
- Production phase based on POD
- NOCS uniform licensing regime
- Detailed regulations regarding art. 82 not yet issued