

Regulations to Act relating to petroleum activities. Laid down by Royal Decree 27 June 1997 pursuant to Act 29 November 1996 no 72 relating to petroleum activities, section 10-18 and Act 10 February 1967 relating to procedure in cases concerning the public administration, section 13 c third paragraph and section 19 third paragraph. Last amended by Royal Decree 12 December 2003 no 1504.

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CHAPTER 1 INTRODUCTORY PROVISIONS

Section 1

Scope of application

These regulations shall be applicable to the petroleum activities as mentioned in Act 29 November 1996 no 72 relating to petroleum activities, section 1-4.

Section 2

Definitions

In these regulations the following definitions shall apply:

- a) *the Ministry*, the Royal Ministry of Petroleum and Energy,
 - b) *the Act*, Act 29 November 1996 no 72 relating to petroleum activities,
 - c) *public entity*, any body corporate on which the public authorities, directly or indirectly, can exercise decisive influence by virtue of ownership, capital interests or rules governing the body corporate. The requirement to decisive influence shall be assumed to have been met when public authorities, in relation to a body corporate, either directly or indirectly:
 - owns the majority of the subscribed capital of the body corporate, or
 - controls the majority of the votes associated with shares issued by the body corporate, or
 - can appoint more than 50 per cent of the members of the administrative, executive or controlling body of the body corporate,
 - d) *test production*, production of petroleum for a limited period of time prior to ordinary production. Test production is production for the purpose of acquiring information about the commerciality of a petroleum deposit, its production properties or applicable production technology.
- For fiscal purposes the following terms shall in these regulations be understood to mean:
- e) *shipment point*:
 - in the case of shipment by ship, the side of the ship,
 - in the case of transportation by pipeline, the entry flange of the landing pipeline, or, if pumping units have been installed for the purpose of driving petroleum through the landing pipeline, the entry flange of such pumping units,
 - f) *oil*, petroleum which is liquid at the shipment point,
 - g) *production area*, the area which covers the petroleum deposits which are produced through the same production system, and which are located in blocks which have been granted to the same licensee. The same production system may consist of one or more production facilities which have either joint or separate processing or shipment installations.

The definitions of the Act are applicable to these regulations.

CHAPTER 2 EXPLORATION LICENCES

Section 3

Applications for exploration licences

Application for exploration licences according to the Act section 2-1 shall be submitted to the Norwegian Petroleum Directorate and shall contain information regarding:

- a) name, address and nationality of the applicant. If the application comprises more than one applicant, all the names, addresses and nationalities shall be stated,
- b) who in Norway will be the representative in relation to the authorities,
- c) the area which is comprised by the application,
- d) the purpose and the nature of the exploration.

The Norwegian Petroleum Directorate may require additional information.
Attestation for payment of fee, cf. section 5, shall be enclosed with the application.
Application for an exploration licence with enclosures shall be written in Norwegian or English.

Section 4

Exploration activities authorised by the licence

The exploration licence authorises geological, petrophysical, geophysical, geochemical and geotechnical activities. Shallow drilling may be carried out to a depth stipulated by the Norwegian Petroleum Directorate. The Norwegian Petroleum Directorate may limit the individual exploration licence to apply to particular types of exploration.

The Norwegian Petroleum Directorate may make it a condition for an exploration licence that information shall be given about sale or exchange of exploration results, and may stipulate conditions for the implementation of the exploration activities.

Section 5

Payment for the exploration licence

In respect of an exploration licence, a fee amounting to NOK 60 000 per calendar year shall be paid in advance to the State via the Norwegian Petroleum Directorate. The Ministry may adjust the fee in accordance with changes in the monetary value.

The exploration licence lapses if the licensee fails to pay the fee for the following year by 31 December.

Section 6

Submission of information in connection with exploration

The licensee shall no later than five weeks prior to the commencement of activities according to an exploration licence, submit the following information to the Norwegian Petroleum Directorate, the Directorate of Fisheries and the Ministry of Defence:

- a) time, duration and accurate information about the area of the exploration activities, stating position lines,
- b) exploration methods to be used,
- c) what vessel is to be used,
- d) the form in which the results of the exploration will be available.

The name of the fishery expert shall be submitted to the said authorities as soon as possible, and no later than five days prior to commencement of the activities.

The Norwegian Petroleum Directorate may exempt from the time limit stated in the first and second paragraphs.

Well in advance, normally 30 days prior to commencement of activities according to an exploration licence, the licensee shall send to be inserted as advertisement in 'Etterretninger for Sjøfarende' ('Notifications to Seafarers') information regarding the exact time and place for the activities, the name and speed of the exploration vessel, and the length of seismic cables, if any.

While the activities according to an exploration licence are in progress, the licensee shall on a weekly basis submit information to the Norwegian Petroleum Directorate and to other public authorities as prescribed in the individual exploration licence, with regard to the time, the place and the nature of the activities, the movements of the exploration vessel and its arrival in Norwegian internal waters.

If the activities are not completed within the time stated, the licensee shall submit a new notification about the duration of the activities to the authorities as described in the first paragraph.

As soon as possible and no later than three months after the individual activity according to an exploration licence has been completed, the licensee shall submit data, records and results from the activities to the Norwegian Petroleum Directorate. Unless the Norwegian Petroleum Directorate requests raw data to be submitted, data requiring processing in excess of 3 months shall be submitted as soon as they are processed. The licensee shall furthermore state whether the results etc from the exploration

activities are to be commercially available.

This section applies correspondingly to exploration activities carried out according to a production licence.

CHAPTER 3 PRODUCTION LICENCES ETC

Section 7 Public announcement

The public announcement shall, in addition to what follows from the Act section 3-5, state the expected time for the granting of the licence.

If applications from individual physical persons or bodies corporate are preferred, this shall be stated in the announcement.

The criteria for granting a licence mentioned in section 10 of these regulations shall be included in the announcement. The Ministry decides the format of the announcement. If conditions and requirements are altered after the public announcement, the Ministry shall notify the physical persons or bodies corporate having submitted, or who must be expected to submit, application for the granting of a production licence, within the time limit stipulated for such application.

Section 8 Applications for production licences

Application for a production licence shall be submitted to the Ministry with a copy to the Norwegian Petroleum Directorate. The application shall contain:

- a) name, address and nationality of the applicant, and indication whether the applicant is a physical person or a body corporate,
- b) indication of who in Norway will be the representative in relation to the authorities,
- c) indication of the area or areas to which an application for a production licence applies,
- d) indication of the priorities of the applicant in respect of the areas, in case the application applies to more than one area,
- e) information concerning the activities of the licensee, including financial capacity,
- f) a geological evaluation of the area or areas to which an application for a production licence applies, and how effective petroleum activities are planned for this area,
- g) a financial evaluation of the area or areas to which an application for a production licence applies,
- h) information concerning experience and technical competence of significance to the area or areas to which an application for a production licence applies,
- i) description of the organisation and expertise which the applicant will have available in Norway and elsewhere for activities in connection with the area or areas to which an application for a production licence applies,
- j) attestation that the handling fee has been paid.

The Ministry may exempt from the requirement relating to the contents of the application according to the first paragraph, and also require further information.

Application for a production licence shall be written in Norwegian or English.

Section 9 Handling fee

For the handling of an application for a production licence, a fee of NOK 60 000 shall be paid to to the State via the Norwegian Petroleum Directorate.

If the fee has not been paid, the application will not be regarded as received.

Section 10

Criteria for granting production licences

In the interest of furthering the best possible resource management, production licences are granted on the basis of the following criteria:

- a) the technical competence and financial capacity of the applicant,
- b) the applicant's plan for exploration and production in the area for which a production licence is sought.

If the applicant is or has been a licensee according to an exploration licence, the Ministry may also take into consideration any form of inadequate efficiency or inadequate responsibility that may have been demonstrated by the applicant as a licensee.

The criteria for granting a licence shall in accordance with section 3-5 third paragraph first sentence of the Act be formulated and applied in a non-discriminatory manner among the applicants. The first sentence applies correspondingly in relation to criteria relating to the composition of the group of licensees and the appointment of an operator.

If two or more applications are regarded to be equal on the basis of the criteria above, other relevant objective and non-discriminatory criteria that will make possible a final choice between the applications, may be used as basis for granting the licence.

Section 11

Conditions and requirements

Conditions and requirements for granting a production licence and for conducting petroleum activities pursuant to a production licence, shall be based solely on the need to ensure that the petroleum activities within the area comprised by the production licence, are carried out in a proper manner.

Conditions for conducting activities pursuant to a production licence shall be based on consideration for national security, public order, public health, transport safety, environment protection, protection of biological resources and national treasures of artistic, historic or archaeological value, the safety of the facilities and the employees, systematic resource management (eg production rate or the optimisation of the production activities) or the need to ensure fiscal revenues.

This section shall be applicable only to production licences granted after 1 September 1995.

Section 12

State participation

The King may appoint a body corporate to manage the direct state participation as mentioned in the Act section 3-6.

The following principles shall be applicable to the decision-making process in a production licence:

- a) the state participant or the manager of the direct state participation shall exercise his voting right on the basis of visible, objective and non-discriminatory criteria. The exercise of voting right shall not constitute an obstacle to decisions being made on the basis of ordinary business principles,
- b) the state participant or the manager of the direct state participation may vote to the full extent for his share on all issues with the following exceptions: the state participant or the manager of the direct state participation shall not receive information about or have the right to vote in decisions relating to suppliers to the activities comprised by these regulations. The state participant or the manager of the direct state participation shall not in conjunction with one or several public entities constitute a majority vote in other decisions.

The provision in the second paragraph litera b) shall not impede the state participant or the manager of the direct state participation from opposing decisions made by the licensee which would not comply with the conditions and requirements that are stated in the production licence with regard to the production policy of the State or the financial interests of the State.

The King shall decide how the further specific rules relating to the decisionmaking process in respect of each individual production licence shall be set out.

This section shall be applicable only to production licences granted after 1 September 1995.

Section 13

Work obligation

The work obligation mentioned in the Act section 3-8 may consist of exploration and exploration drilling of a certain number of wells down to specified depths or geological formations. The contents, extent of and the time limit for complying with the work obligation, shall be stipulated in the individual production licence. If a shorter period has not been stipulated, the work obligation shall be fulfilled within the period of time stipulated pursuant to the Act section 3-9 first paragraph.

The Ministry may, upon application, exempt from the work obligation.

Section 14

Extension of production licences

Application for extension of a production licence pursuant to the Act section 3-9 first paragraph, shall be submitted to the Norwegian Petroleum Directorate within four months prior to the expiry of the production licence, unless otherwise decided by the Norwegian Petroleum Directorate.

Demand for extension pursuant to the Act section 3-9 second paragraph, shall be submitted to the Norwegian Petroleum Directorate within two months prior to the expiry of the production licence, unless otherwise decided by the Norwegian Petroleum Directorate. The licensee shall specify the area for which the extension is sought.

Section 15

Shape and size of areas

The areas to be relinquished by the licensee pursuant to the Act sections 3-9 and 3-14, shall be contiguous and delimited by meridians and parallels of latitude expressed in whole minutes of a degree. This applies correspondingly to the areas retained by the licensee.

Areas to be partitioned off pursuant to section 3-10 of the Act shall be contiguous and delimited by meridians and parallels of latitude expressed in whole minutes of a degree. The Ministry may, when particular reasons so warrant, approve a horizontal division of the area of a production licence.

The Norwegian Petroleum Directorate shall approve the shape and size of the areas and may exempt from the requirement that the areas are to be contiguous. When particular reasons so warrant, the Norwegian Petroleum Directorate may exempt from the requirement to delimitation in whole minutes of a degree.

CHAPTER 4

PRODUCTION ETC OF PETROLEUM

Section 16

Evaluation of a petroleum deposit

When a petroleum deposit has been proven by drilling, the licensee shall submit to the Norwegian Petroleum Directorate information on plans for further exploration as well as results from exploration of the deposit.

An evaluation of the petroleum deposit shall be submitted in writing to the Norwegian Petroleum Directorate within six months of the deposit being proven.

If probability of the petroleum deposit having mobile petroleum has been established through tests, sampling or logging, the licensee shall in addition indicate the size of the petroleum deposit and submit plans for the continued activities.

The Norwegian Petroleum Directorate may require further evaluations and information to be submitted.

Section 17

Statement that production will not be commenced

No later than two years after the time when the last exploration well was drilled the licensee shall notify

the Ministry in writing if the licensee decides not to commence production from a petroleum deposit. A copy of the notification shall be submitted to the Norwegian Petroleum Directorate. A report shall be enclosed with the statement, accounting for the basis for the decision and a summary of reservoir related, technical and economic aspects as well as studies which have been carried out or which are planned to be carried out with a view to determine if the petroleum deposit is or can become commercial.

Section 18

Test production

Application for test production, cf the Act section 4-4 fifth paragraph, shall as a rule contain:

- a) description of the purpose of the test production,
- b) description of geological and reservoir engineering aspects,
- c) test production programme,
- d) description of facilities that will be used,
- e) description of equipment for metering petroleum, including fiscal measurement,
- f) overview of expenses,
- g) description of overall safety issues,
- h) description of environmental impact.

The application shall be submitted to the Ministry with a copy to the Norwegian Petroleum Directorate. If a facility is to be placed on land or seabed subject to private property rights, a copy shall also be submitted to the Directorate for Fire and Explosion Prevention.

For test production, permission pursuant to section 4-4, second and third paragraphs of the Act, shall also be obtained.

Petroleum produced during test production shall, as a general rule, be stored for subsequent utilisation or sale. Test production shall normally cease prior to submission of the plan for development and operation or an application for exemption from the requirement for such plan. If warranted for particular reasons, the licensee may submit to the Ministry for approval a plan for development and operation pursuant to section 4-2 of the Act before the test production has ceased.

Section 19

Approval of agreements relating to sale and deliveries of gas

Agreements relating to sale and deliveries of rich and dry gas shall be submitted to the Ministry for approval. The same applies to amendments in, exceptions from and additions to such agreements.

Section 20

Plan for development and operation of a petroleum deposit

Plan for development and operation of one or more petroleum deposits, cf the Act section 4-2, shall contain a description of the development and an impact assessment. Comments submitted in relation to the impact assessment shall be included in the evaluation process when the plan for development and operation is approved. The plan shall be submitted to the Ministry and the Ministry of Local Government and Regional Development with a copy to the Norwegian Petroleum Directorate. If a facility is to be placed on the land territory or sea bed subject to private property rights, a copy shall also be submitted to the Directorate for fire and explosion prevention.

A plan for development and operation of a petroleum deposit which entails construction and building measures in conflict with the land-use part of a binding decision on planning pursuant to the planning and building Act, cannot be approved by the Ministry until the consent of the planning authority has been obtained.

The Ministry may require the individual licensee to supply information on how the licensee intends to finance his part of the development.

The Ministry shall, in a separate document that is to be made public, state the reason for the decision to approve or not to approve the plan for development and operation. The statement of reasons shall, inter alia, include a list of possible conditions of an environmental nature to the approval and measures which

may be required in order to remedy significant negative effects on the environment. Information subject to statutory provisions relating to professional secrecy shall not be made public.

In the event of substantial alterations in or deviation from the plan, notification shall be submitted to the Ministry. The Ministry may require a new or amended plan to be submitted.

Section 21

Description of the development in the plan for development and operation of a petroleum deposit

Description of the development with associated documentation shall be adapted to the extent of the development. The description shall give an account of economic, resource related, technical, environmental and safety related aspects of the development.

The description of the development shall to the extent necessary contain:

- a) description of development strategy and development concept, as well as the criteria for the choices that have been made, description of subsequent development stages, if any, tie-ins with other fields, and if relevant co-ordination of petroleum activities,
- b) description of geological and reservoir engineering aspects, and production schedule,
- c) description of technical solutions, including solutions aimed at preventing and minimising environmentally harmful discharges and emissions,
- d) information on management systems, including information on the planning, organising and implementation of the development,
- e) information on operation and maintenance,
- f) information on economic aspects,
- g) information on what licences, approvals or consents have been applied for, or that are planned to be applied for, pursuant to other applicable legislation, if a facility is to be placed on the land territory or seabed subject to private property rights,
- h) information as to how the facilities may be disposed of when the petroleum activities have ceased,
- i) information on facilities for transportation or utilisation comprised by the Act section 4-3,
- j) information on how the gas shall be marketed,
- k) description of technical measures for emergency preparedness,
- l) information on other factors of importance to the resource management,
- m) other information required pursuant to the safety regulations in force at any time.

The Ministry may require studies of alternative solutions.

Section 22

Impact assessment programme for environmental impact assessment in plan for development and operation of a petroleum deposit

Well in advance of submission of a plan for development and operation of a petroleum deposit, the licensee shall present to the Ministry a proposed programme for environmental impact assessment. The proposal shall give a short description of the development, of relevant development solutions and, based on available knowledge, of envisaged effects in relation to other commercial activities and to the environment, including possible transboundary environmental impact. Furthermore the proposal shall define the need for documentation. If an impact assessment has been prepared for the area where the development is planned to be carried out, the proposal shall clarify the need for supplementary documentation or updating.

The Ministry shall forward the proposed impact assessment programme to the authorities concerned and to central industrial organisations for their comments. The Ministry shall approve the final environmental impact assessment programme.

Section 22a

Impact assessment in plan for development and operation of a petroleum deposit

An impact assessment in a plan for development and operation of a petroleum deposit shall state the reasons for the effects that the development may have on commercial activities and environmental aspects,

including measures to prevent and remedy such effects. The impact assessment shall, inter alia:

- a) describe alternative development solutions which the licensee has examined and state the reasons for the choice of development solution and development strategy, state the reasons for the criteria on which the choice has been made, and describe any subsequent development stages, tie-ins to other fields and shore facilities, and, if relevant, co-ordination of petroleum activities,
- b) describe the environment which may be significantly affected, consider and make a balanced judgement with regard to the environmental impact of the development, including:
 - describe emissions to sea, air and soil,
 - describe possible material assets and monuments of cultural heritage which may be affected as a result of the development,
 - consider the consequences of the technical solutions chosen,
 - clarify how environment criteria and impact on the environment have been taken into account in the technical solutions that have been chosen,
 - describe possible and planned measures in order to prevent, reduce and if possible compensate for any significant adverse effects on the environment,
- c) consider what licences, approvals or consents are to be applied for pursuant to other applicable legislation, if a facility is to be placed on the land territory, on sea bed subject to private property rights, in internal waters or the territorial sea,
- d) consider how the facilities may be disposed of when the petroleum activities have ceased,
- e) consider facilities for transportation or utilisation comprised by the Act section 4-3,
- f) consider technical measures for emergency preparedness,
- g) consider how monitoring of the environment in the area can be carried out,
- h) provide a summary of the above items.

The impact assessment shall be prepared on the basis of an prescribed impact assessment programme established pursuant to section 22 and shall be adapted to the extent of the development and to the degree to which the development is considered comprised by an impact assessment for a larger defined area. The impact assessment shall be submitted to the Ministry at the latest concurrently with a description of the development. In areas where more than one field is to be developed, the licensee may in accordance with the Act section 4-2 third paragraph prepare an impact assessment in respect of a larger defined area. In respect of developments for which an impact assessment is also required pursuant to other legislation, a common impact assessment may be prepared.

If the licensee proves that the development is comprised by an existing relevant impact assessment for a field or a larger defined area, cf the Act section 4-2 third paragraph, an impact assessment will only be required if the Ministry considers this to be necessary.

The Ministry shall forward the impact assessment to the authorities concerned and to central industrial organisations for their comments, and shall at the same time announce in the Norwegian Gazette that this has been done.

When the requirements for the environmental impact assessment have been considered to be complied with, the Ministry will notify the licensee thereof in writing.

Section 22b

Exemption from the requirement relating to impact assessment

The Ministry may, on application from the licensee, grant exemption from the requirement relating to impact assessment if the development concerned will not entail production of oil and natural gas for commercial purposes where the amount produced exceeds 4.000 barrels per day in respect of oil and 500.000 m³ natural gas per day in respect of gas, and it is otherwise not expected to have significant effects on commercial activities or the environment.

Provided the development cannot be expected to have significant transboundary environmental impact, the requirement relating to impact assessment may in exceptional cases be deviated from partly or entirely, even if the development exceeds the threshold values mentioned in the first paragraph. Prior to granting such exemption, the Ministry shall inform the EFTA Surveillance Authority of the reasons on

which the exemption is based.

Section 22c

Impact assessment in the case of significant transboundary environmental effects.

If a development may have significant transboundary environmental effects, the Ministry shall forward the environmental impact assessment programme and information about the requirement in respect of approval of the plan for development and operation to States that may be affected, at the latest at the same time as the impact assessment programme is sent out on circulation for comments. Such information shall also be forwarded if a State which may be significantly affected so requests.

States that are affected may participate in the impact assessment process, and may in this connection submit to the Ministry a statement about the impact assessment programme and the impact assessment. The Ministry shall forward the impact assessment to the appropriate authority in the States that are affected at the same time as the impact assessment is sent out on circulation for comments in Norway.

The Ministry shall on approval of the plan for development and operation forward the document mentioned in section 20 fourth paragraph to the appropriate authority in the States that are affected.

Section 23

Stipulation of production schedule etc

The licensee shall submit application to the Ministry for a production permission, including also permission relating to burning and cold venting, within the time limits stipulated by the Ministry. A copy of the application shall be submitted to the Norwegian Petroleum Directorate. The duration of the permission can be adapted to the size of the field as well as to other factors of importance.

The Ministry may, in cases as mentioned in the Act section 4-4, make a decision relating to production or injection from each individual well, deposit or field.

The Ministry may further decide on the contents and the format of the application to be submitted pursuant to the Act section 4-4 second and third paragraphs.

Section 24

Field report

If the Ministry requires the licensee to produce a report on field related matters pursuant to the Act section 4-4 sixth paragraph, a time limit of no less than six months shall be given for the preparation of such report, unless particular circumstances warrant a shorter time limit.

Section 25

Measures to obtain information

The Norwegian Petroleum Directorate may require that special measures shall be taken to obtain information, if this is considered necessary to judge whether the operation of a petroleum deposit is conducted in a prudent manner, or to initiate joint operations between several licensees.

Particularly expensive measures, such as the drilling of a well, may not be required to be carried out unless the Ministry considers the measure to be obviously necessary.

Section 26

Metering of petroleum produced

The licensee shall meter and analyse petroleum produced, including petroleum that has been sold, in accordance with generally accepted procedures. The equipment and the procedures shall be approved by the Norwegian Petroleum Directorate.

If it is demonstrated that the volume of petroleum produced or sold has been incorrectly calculated, the licensee shall inquire into the matter and produce documentation that provides basis for determining correct volume. The Norwegian Petroleum Directorate may issue further provisions relating to such correction.

Section 27

Monitoring of the deposit and process during production

The licensee shall continually monitor the deposit during production, including pressure and flow conditions, produced or injected volumes per well, zone and reservoir, the composition of components of petroleum etc. By zone is meant part of a petroleum deposit which can be regarded as being partly separated from the rest of the deposit by limitations in the pressure and permeability connections.

The total monthly production and injection volumes of the field shall be apportioned to each individual well on a monthly basis according to recognised norm.

The process facilities shall be monitored in such way as to achieve optimal operation.

Section 28

Licence to install and to operate facilities for transport and utilisation of

Application for licence to install and to operate facilities for transport and utilisation of petroleum, cf the Act section 4-3, shall include a plan which is to contain a description of the project and an impact assessment. Comments to the impact assessment shall be included in the evaluation when the plan to install and to operate facilities is approved. The application shall be forwarded to the Ministry and to the Ministry of Local Government and Regional Development with a copy to the Norwegian Petroleum Directorate. If a facility is to be placed on the land territory or on seabed subject to private property rights, a copy shall also be submitted to the Directorate for Fire and Explosion Prevention. If an application is submitted by anyone other than the licensee according to a production licence, the provisions of section 8 shall be applicable as appropriate.

The Ministry may stipulate conditions for a licence to install and to operate facilities for transport and utilisation of petroleum, inter alia relating to:

- a) ownership of the facility,
- b) the destination of the pipeline,
- c) the route of the pipeline, dimension and transportation capacity.

When granting a licence to install and to operate facilities for transport and utilisation of petroleum, and at a later stage, the Ministry may:

- a) stipulate tariffs for use of the facility in respect of the owner's own petroleum and other petroleum,
- b) order that the facility shall be tied in with other facilities, that its capacity shall be increased and that the facility shall be modified to be able to transport other types of petroleum than those for which it was originally built. Such orders must not raise the costs or unreasonably impede use of the facility which has been assured by approval of the Ministry. As further decided by the Ministry, the costs of implementation of orders as mentioned shall be borne by the party or parties in whose favour the order was given or shall be taken into account when the tariff is stipulated,
- c) decide which petroleum shall be transported in a pipeline, however it may not be decided that petroleum shall be transported instead of petroleum which has been assured transportation in a pipeline by approval of the Ministry.

Section 29

Contents of plan to install and to operate facilities for transport and

Plan to install and to operate facilities for transport and utilisation of petroleum shall deal with economic, resource related, technical, environmental and safety aspects of the project. The documentation shall be adapted to the extent of the project.

Plan to install and to operate facilities for transport and utilisation of petroleum, cf the Act section 4-3, shall to the necessary extent contain:

- a) information on the destination of the pipeline, route, dimension and transportation capacity, as well as the criteria for the choices that have been made,
- b) information on the ownership of the facility,
- c) description of technical solutions, including solutions to prevent and minimise environmentally

- harmful discharges and emissions,
- d) information on management systems, including information on the planning, organising and implementation of the development,
- e) information on operation and maintenance,
- f) information on economic aspects,
- g) information as to what licences, approvals or consents have been applied for, or that are planned to be applied for, pursuant to other applicable legislation, if a facility is to be placed on the land territory or seabed subject to private property rights,
- h) information as to how the facilities may be disposed of when the petroleum activities have ceased,
- i) description of technical measures for emergency preparedness,
- j) information on other factors of importance to the resource management,
- k) other information required pursuant to the safety regulations in force at any time.

The Ministry may exempt from the requirement to documentation according to the first paragraph, and in this connection also require studies of alternative solutions.

The Ministry may on application from the licensee grant exemption from the requirement relating to impact assessment if the project does not concern transport of petroleum in pipelines with a diameter of more than 800 mm and a length of more than 40 km, and it is otherwise not expected to have significant effects on commercial activities or the environment. The provisions of sections 20, fourth paragraph, section 22, section 22 b second paragraph and section 22 c apply correspondingly. The provisions of section 22 a are applicable as appropriate.

The Act section 4-2 third, fourth, sixth and seventh paragraphs apply correspondingly to the plan to install and to operate facilities.

Section 30

Surveys of pipeline routes and other soil surveys

The licensee shall, no later than five weeks prior to the commencement of surveys of pipeline routes and other soil surveys, submit the following information to the Norwegian Petroleum Directorate, the Directorate of Fisheries and the Ministry of Defence:

- a) the purpose of the surveys,
- b) time, duration and place of the surveys,
- c) survey methods,
- d) what vessel is to be used
- e) the depth to which drilling will be carried out, if any.

The name of the fishery expert shall be submitted to the said authorities as soon as possible, and no later than five days prior to commencement of the activities.

The Norwegian Petroleum Directorate may exempt from the time limits stated in the first and second paragraphs.

During surveys of pipeline routes and other soil surveys, drilling to depths more than 200 meters below the seabed must not take place.

CHAPTER 5

PRODUCTION FEES AND AREA FEES

Section 31

Rates applicable to production fees etc

The licensee shall not pay production fees for petroleum produced from deposits where plan for development and operation is approved or the requirement for such plan is waived after 1 January 1986.

With regard to petroleum produced from deposits where plan for development and operation is approved 1 January 1986 or earlier, the licensee shall pay a production fee of 8 % of the value of the quantity of oil produced. From the time when the quantity of oil produced from one production area

reaches the following average quantities over a 30-day period, a production fee shall be paid on the value of the total quantity amounting to:

6 500 Sm ³ per day	10 %
16 000 Sm ³ per day	12 %
35 000 Sm ³ per day	14 %
55 000 Sm ³ per day	16 %

If the daily average for the first 30 days of production from a production area exceeds the level at which the fee is 8 %, the production fee shall be raised from the day when the production first exceeded the level in question.

If the daily average from a production area for which a production fee of more than 12% has been paid should later fall under the relevant limit during a 30-day period, the production fee shall be reduced correspondingly in accordance with the table from and including this period, however not to less than 12%.

On produced petroleum other than oil, the production fee is 0 % .

The Ministry may reduce the rate applicable to production fees or exempt from production fees if particular circumstances so warrant.

Production fees shall be paid on petroleum that escapes unless the licensee can prove that the escape was not due to negligence on his part or on the part of anyone acting on his behalf. If the quantity in question cannot be metered, the Ministry shall stipulate the quantity, which is deemed to have escaped.

The second to fourth paragraphs do not apply to production licences granted pursuant to the Royal Decree 9 April 1965 relating to exploration for and exploitation of submarine petroleum resources. In respect of such licences, the licensee shall pay a production fee of 10 % of the value of the produced quantity of oil.

Section 32

Stipulation of value of petroleum etc

The value of petroleum which shall be used as a basis for the calculation of production fees shall be stipulated by the Ministry. The basis shall be the price stipulated in accordance with regulations of 25 June 1976 no 5 relating to the stipulation of norm price, with deduction for any transport costs in those cases where the price reference point is different from the point of calculating production fees. No deduction shall be made for CO₂ tax accrued between the price reference point and the point of calculating production fees.

Costs of installation and operation of pipelines from the individual production facility to the production area shipment point shall upon application from the licensee be deducted when calculating the production fees, if the Ministry regards it reasonable in view of the distance of the transportation and other prevailing circumstances.

The production fee for petroleum for which no norm price is stipulated, shall be stipulated by the Ministry on the basis of prices obtained and other comparable estimations of the value.

Section 33

Payment of production fees

Production fees for the half year 1 January to 30 June shall be paid by 1 October. Production fees for the half year 1 July to 31 December shall be paid by 1 April the following year. Production fees shall be paid to the State via the Norwegian Petroleum Directorate.

If no final value upon which the calculation of production fees shall be based, cf. section 32, has been stipulated by the expiry of the time limit for payment, payment shall, as a provisional arrangement, be effected in accordance with the provisional stipulations of values carried out pursuant to section 3 of Regulations of 25 June 1976 no 5 relating to the stipulation of norm price, or corresponding provisions, with adjustments, if relevant, for transportation and terminal costs. On petroleum for which no norm price can be stipulated, the Ministry may stipulate such provisional value.

If production fees are not paid within the due date, interest shall be paid on the fees due in accordance

with Act 17 December 1976 no 100 relating to interest on overdue payments etc.

If payment has taken place in accordance with the provisional stipulation of value, interest shall, at the time of the settlement when the final production fee has been determined, be calculated according to the rate of interest applicable at any time to overpayments or underpayments of instalment tax. The account shall be settled within 15 days of final computation of production fees. This also applies in cases when the stipulation of value has been the subject of appeal to a superior public body.

Section 34

Collection of production fees in the form of petroleum

The licensee may demand reimbursement for the costs of transportation, processing and storage of royalty petroleum between the production area shipment point and the place where royalty petroleum is made available, cf. the Act section 4-9 fourth paragraph. Such costs shall be no higher than those incurred by the licensee for his own petroleum. If special tariffs for transportation, processing and storage of the licensee's petroleum have not been agreed upon, the Ministry shall stipulate such tariffs for royalty petroleum after having received proposals from the licensee. When stipulating these tariffs, a reasonable commercial profit shall be provided for.

Section 35

Documentation relating to settlement of fees

When submitting the settlement of fees for a given fiscal period, it shall be clearly indicated how the production fee has been calculated.

In the calculation of gross production value, the settlement of fees shall as a minimum contain the following data on a monthly basis: Price obtained, quantity and currency exchange rate, if relevant.

The calculation of deductible expenses must be specified.

All income and expenses shall be documented by copies of invoices or by making specified references to the accounts of the operator.

Section 36

Use of currency exchange rates

When converting petroleum prices and deductible expenses invoiced in a foreign currency into NOK, the Bank of Norway's monthly average of the banks' daily currency exchange rates for sales and purchases between NOK and the relevant foreign currencies for the delivery month shall be used.

Four decimal places shall be used in conversion calculations. The final amount shall be rounded off to the nearest whole NOK.

Section 37

Joint sale of petroleum

In the case of joint sale of petroleum, the operator shall on behalf of the licensee, calculate the gross production fees and the joint deductible expenses which are apportioned to the individual licensees.

Section 38

Audit of the basis for the settlement fees

The Norwegian Petroleum Directorate may at any time carry out an audit of the operator and the licensee in order to verify the settlement submitted to the Norwegian Petroleum Directorate.

Section 39

Rates applicable to area fees etc

After expiry of the period stipulated pursuant to the Act section 3-9 first paragraph first sentence, the area fee shall be as follows: The first year the fee is NOK 7 000 per km². Thereafter, the fee increases by NOK 7 000 per km² per year until it has reached NOK 70 000 per km². Subsequently, the fee shall be NOK 70 000 per km² per year for the remaining part of the duration of the licence. When calculating the fee, the

area shall be rounded off to the nearest km².

With regard to production licences in the Barents Sea, ie north of 70°N and west of 16°E, as well as the areas north of 69°30'N and east of 16°E, the fees shall, after expiry of the period mentioned in the Act section 3-9 first paragraph first sentence, be NOK 7 000 per km² for the remaining part of the duration of the licence.

In the case of division of the area covered by a production licence pursuant to the Act section 3-10, an area fee shall, before the expiry of the current year, be payable in advance for the area partitioned off according to the rate applicable at this time to the original area. Thereafter the area fee rate shall be as if no partitioning had taken place.

The Ministry may adjust the area fee at intervals of at least five years in order to bring it in agreement with changes in the monetary value of the NOK. The basis for the adjustment shall be the consumer price index of the Central Bureau of Statistics.

In the case of production licences granted pursuant to Royal Decree of 9 April 1965 relating to exploration for and exploitation of submarine petroleum resources, the licensee shall pay an area fee of NOK 33 000 per km² per year. The Ministry may adjust the fee at intervals of at least 10 years.

In production licences where there is no pre-emption right to the benefit of others than the State, the licensee may claim a 40% reduction in the rate applicable at any time for the calculation of area fees. Claims as mentioned in the first sentence shall be submitted to the Ministry not later than 1 December in the year preceding the fiscal year as from which the reduction will take effect.

The Ministry may decide that area fees shall be exempted from wholly or partly or that the duty to pay the fees shall be postponed.

Section 40

Payment of area fees

Area fees shall be paid in advance for each calendar year after expiry of the period stipulated in the Act section 3-9 first paragraph first sentence. The area fee is due for payment before the current year end. The operator is himself responsible for calculation and payment of the area fee.

Area fees shall be paid to the State via the Norwegian Petroleum Directorate.

If the area fee is not paid when due, interest shall be payable on the amount due in accordance with Act 17 December 1976 no 100 relating to interest on overdue payments etc.

In the case of production licences granted pursuant to Royal Decree of 9 April 1965 relating to exploration for and exploitation of submarine petroleum resources, the area fee shall be paid in advance for one year at a time with the allocation date as the due date. The same rate of fee shall be applicable to the whole year.

Section 41

Refund of area fees

If production licences granted pursuant to Royal Decree of 9 April 1965 relating to exploration for and exploitation of submarine petroleum resources are surrendered, cf. the Act section 3-15, that part of the area fee which has been paid for the period after the surrender takes effect shall be refunded.

Section 42

Deduction for area fee in the production fee

In the case of production licences issued pursuant to Royal Decree of 9 April 1965 relating to exploration for and exploitation of submarine petroleum resources and Royal Decree of 8 December 1972 relating to exploration for and exploitation of petroleum in the seabed and substrata, the following shall apply: In the payment of production fees, deduction shall be made for area fees which have been paid for the production licence in the same payment period. If the area fee is larger than the production fee for petroleum produced under the relevant production licence, the production fee shall not be payable.

If the same petroleum deposit is covered by more than one production licence, the Ministry shall decide what part of the production shall be regarded as produced under each individual production licence. If a

production licence covers several blocks, deduction shall only be given for the block or blocks which cover the deposit.

If the State makes use of its right to require production fees in the form of produced petroleum, the provisions of the first and second paragraphs shall apply correspondingly, so that area fees paid for the production licence in question in such cases shall be wholly or partly refunded at the settlement of production fees for the relevant period. In the stipulation of value, section 32 shall apply correspondingly.

CHAPTER 6 DECOMMISSIONING PLAN

Section 43

Decommissioning plan

The decommissioning plan which is to be prepared pursuant to the Act section 5-1, shall consist of one part dealing with disposal and an impact assessment.

The decommissioning plan may contain proposed disposal of several facilities.

The Ministry shall be notified of any changes in factual information after the decommissioning plan has been submitted.

The decommissioning plan shall be submitted to the Ministry and the Ministry of Local Government and Labour with a copy to the Norwegian Petroleum Directorate.

Section 44

Disposal part of the decommissioning plan

The disposal part of the decommissioning plan shall contain a description of:

- a) the field history,
- b) the facility, including location, depth, type of material etc.
- c) deposit and production,
- d) the possibility for continued production,
- e) relevant disposal alternatives,
- f) other aspects of importance to the choice of disposal solution
- g) recommended disposal solution, including a time schedule for implementation of the disposal.

For each of the relevant disposal alternatives the following shall be dealt with:

- a) technical, safety related, environmental and economic aspects,
- b) relationship to other users of the sea, including information and evaluations on the impact on fisheries and shipping.

The Ministry may exempt from the requirement to contents in the disposal part, and in this connection also require further information and evaluations.

With regard to facilities placed on the land territory or on seabed subject to private property rights, the disposal part shall only deal with the disposal alternative further use in the petroleum activities.

Section 45

Impact assessment

The impact assessment shall contain a description of the effect that each of the relevant disposal alternatives may have on commercial and the environmental aspects, and what can be done to reduce discharges and emissions in connection with disposal, and to remedy any damage or inconvenience.

The impact assessment shall be prepared on the basis of an approved impact assessment programme, cf. fourth paragraph, and shall be adapted to the extent of the disposal. The impact assessment shall be submitted to the Ministry at the latest concurrently with the disposal part of the decommissioning plan.

The Ministry may exempt from the requirement to impact assessment if the disposal is not expected to have significant effects on commercial and environmental aspects.

Well in advance of submission of a decommissioning plan the licensee shall forward to the Ministry a

proposed programme for the impact assessment. The proposal shall give a short account of the relevant disposal alternatives and, based on available knowledge, of envisaged effects to the environment and to other commercial activities. Furthermore the proposal shall clarify the need for documentation. The Ministry shall decide the impact assessment programme.

In respect of disposals for which an impact assessment is also required pursuant to other legislation, a common impact assessment may be prepared.

CHAPTER 7 INFORMATION AND DOCUMENTATION

Section 46

Drilling and well activities

The Norwegian Petroleum Directorate shall be notified of drilling and well activities. The Norwegian Petroleum Directorate shall stipulate further provisions for drilling and well activities, including provisions relating to applications, documentation, data collection, reporting, time limits etc.

Section 47

Annual status report for fields in production

An annual status report for fields in production shall be submitted to the Norwegian Petroleum Directorate by 1 November each year. The report shall describe activities and measures to serve as basis for the authorities' evaluation of production strategy, environmental issues etc.

The Norwegian Petroleum Directorate may stipulate further provisions relating to the contents and format of the report.

Section 48

Information on petroleum produced etc

The licensee shall submit to the Norwegian Petroleum Directorate information on the volume of petroleum produced and on the composition of the petroleum etc, also including test production and the extraction of petroleum in connection with formation testing.

Information shall furthermore be given on use, injection, cold venting and burning of petroleum. The information shall, as far as possible, be based on metering.

Information on volumes and other results of monitoring as stated in section 27, as well as monitoring procedures, shall be submitted to the Norwegian Petroleum Directorate.

The Norwegian Petroleum Directorate may stipulate further provisions relating to reporting. The Norwegian Petroleum Directorate may require additional information.

Section 49

Information on sale of petroleum

Within 15 days after the expiry of each quarter, particulars of the quantities which have been sold during the quarter, to whom they have been sold, and the prices obtained shall, be submitted to the Ministry. Furthermore, information shall be given of the quantities which have been used for internal further production or refining or which have been disposed of to affiliated companies etc, and of the settlement prices which have been employed.

Licensees shall also give complete information about other special circumstances which may have affected prices or terms of payment.

It is not necessary to give information pursuant to this section to the extent corresponding information is given pursuant to Act 13 June 1975 no 35 relating to the taxation of submarine petroleum resources etc and regulations issued pursuant thereto.

Section 50

Information on plans and budgets etc

As soon as plans and budgets for activities as mentioned in chapters 3 and 4 of the Act have been established for the following year, copies thereof shall be submitted to the Ministry and to the Norwegian Petroleum Directorate for their information. Substantial changes in plans and budgets shall be forwarded. Supplementary information may be required.

The licensee is obliged to make available to the Ministry annual reports and accounts relating to its activities. This applies correspondingly to the parent company of the licensee and any affiliates registered in Norway.

Section 51

Information on research and development projects

The licensee shall, upon request from the Ministry, provide information on planned, ongoing or concluded research and development projects with relevance for the petroleum activities on the Norwegian continental shelf.

Section 52

Information from areas outside the Norwegian continental shelf

The licensee of a production licence is obliged to make available free of charge to the Norwegian Petroleum Directorate geological and geophysical material from areas outside the Norwegian continental shelf, which have been purchased or traded in connection with the activities pursuant to the production licence, and which the Directorate considers to be of relevance for the understanding of the geology on or inside the Norwegian continental shelf.

Section 53

Submission of material and information

The Norwegian Petroleum Directorate may decide what standard format shall be used in submission of material and information, as well as routines for such submission to the extent this is considered reasonable. Format in this context means physical shape, including medium. By format is also meant the structure, including data structure and packaging etc.

Reformatting of old data may only be required to the extent that this is considered reasonable based on costs and the need of the authorities for such data.

Section 54

Transfer of software

Materials and information which the Ministry and the Norwegian Petroleum Directorate may require to be submitted pursuant to the Act section 10-4 and provisions contained in these regulations, also comprise software which is used to process the former, plus the necessary documentation in this connection. The licensee shall pay the transfer costs to the machines of the users to the extent this is considered reasonable.

Section 55

Safekeeping duty

The licensee shall retain for safekeeping material and information necessary to ensure that the Ministry can verify whether the petroleum activities are carried out in accordance with the statutory framework of legislation, for as long as it provides necessary information about the petroleum activities.

If the operator wishes to destroy material or information which may be of importance to the management of resources, the Norwegian Petroleum Directorate shall receive a list of material and information prior to it being destroyed, and may within a reasonable time after having received the list order handing over or further safekeeping free of charge. In the case of handing over, sufficient documentation in relation to such material and information shall be included.

CHAPTER 8 MANAGEMENT SYSTEMS FOR THE PETROLEUM ACTIVITIES

Section 56

Management systems

The main objective of management systems established according to the Act section 10-6 in order to ensure compliance with statutory requirements, shall be to contribute to ensuring and furthering the quality of the work carried out in the petroleum activities.

The management system shall specify the applicable statutory requirements and shall to the extent necessary include internal requirements to and routines for compliance with statutory requirements. Furthermore the management system shall include internal requirements to and routines for organisation, division of responsibility, division of authority in the individual case and between the licensee and other participants in the petroleum activities, competence, resources and work performance in relation to the party establishing the management system according to the first paragraph.

Section 57

Documentation

The management system shall be documented in order to ensure compliance with the applicable statutory requirements.

Section 58

Follow-up of the management system

The management system shall be subject to review on a regular basis and shall if necessary be updated in order to ensure conformity with the requirements of sections 56 and 57.

CHAPTER 9 ACCESS TO UPSTREAM PIPELINE NETWORKS

Section 59

Principles for access to upstream pipeline networks

Natural gas undertakings and eligible customers who have a duly substantiated reasonable need of transportation and/or processing of natural gas shall, on objective and non-discriminatory conditions, have right of access to upstream pipeline networks, including facilities supplying technical services incidental to such access, in accordance with the rules of this chapter.

The operator, owner and the party entitled to use the upstream pipeline network shall ensure, on receiving inquiries from natural gas undertakings and eligible customers for access to use capacity in upstream pipeline networks, that such inquiries are handled within a reasonable period of time.

The right to use capacity in the upstream pipeline network is subject to the specifications of the natural gas to be transported and/or processed being reasonably compatible with the technical requirements for and efficient operation of the upstream pipeline network, including adequate pressure at the inlet so that the natural gas can reach the outlet.

Further conditions and procedures for application of this provision shall be determined by the operator after consulting the owner and users of the upstream pipeline network.

Access may be refused by the operator if the conditions for the right of use pursuant to this provision are not satisfied.

Section 60

Definitions

For the purposes of this chapter “owner” means the joint venture and companies that own upstream pipeline networks, as well as the participants in such joint ventures and companies.

For the purposes of this chapter “spare capacity” means the capacity that is physically available at any time, with the exception of the capacity necessary to meet existing contracts concerning transportation of natural gas and the right to use capacity in the upstream pipeline network, and to ensure efficient operation of the upstream pipeline network.

For the purposes of this chapter an “agreement in the primary market” means an agreement for the right to use spare capacity in upstream pipeline networks entered into by a natural gas undertaking or eligible customer with the owner of the upstream pipeline network acting in his capacity as owner, or with the operator acting on behalf of the owner in his capacity as owner.

For the purposes of this chapter an “agreement in the secondary market” means an agreement for the transfer of rights to use capacity in upstream pipeline networks other than contracts in the primary market.

For the purposes of this chapter “tariff” means payment for the right to use capacity in upstream pipeline network.

Section 61

Entering into agreements in the primary market

The owner shall make spare capacity in upstream pipeline network in the primary market available to the operator, who shall make it available collectively. Spare capacity may only be made available to natural gas undertakings and eligible customers. Agreements in the primary market are to be entered into with the operator on behalf of the owner.

The operator shall present a recommendation to the owner as to what shall be regarded as physically available capacity. The operator may not base determination of spare capacity on this recommendation until it has been approved by the owner. The physically available capacity determined for an upstream pipeline network shall be as high as possible, having regard to efficient operations.

At announced points in time the operator shall allow natural gas undertakings and eligible customers to reserve a right to use spare capacity in the upstream pipeline network for specified periods of time. The operator shall determine, on the basis of rules contained in or pursuant to this chapter, what is to be considered as spare capacity at any time. A time limit shall be imposed for making such reservations. Reservation of spare capacity may take place both on a short-term and a long-term basis.

If on expiry of the time limit the sum of the reservations applied for as mentioned in the third paragraph, does not exceed the capacity for which reservation was allowed, the natural gas undertakings and eligible customers shall be allocated the right to use spare capacity in accordance with their reservations. After such allocation has taken place, remaining spare capacity for which there is a demand and for which reservation is allowed according to the third paragraph, shall be allocated to natural gas undertakings and eligible customers consecutively.

Rights to use spare capacity on a long-term basis shall be allocated before rights to use spare capacity on a short-term basis. Before allocating rights to use spare capacity on a long-term basis, the operator may stipulate that a part of the spare capacity shall be retained for allocation on a short-term basis at a later date.

If the sum of reservations applied for exceeds the spare capacity for which reservation is allowed

according to the third paragraph, rights to use the spare capacity shall be allocated to natural gas undertakings and eligible customers according to a distribution formula. The distribution formula shall be determined by the operator for a specific period of time, based on the production of the individual natural gas undertakings and eligible customers, and on their sales, loans or purchases of natural gas that give rise to a need for transport and/or processing in the upstream pipeline network, adjusted for their existing rights of use.

Nevertheless, when allocating rights to use spare capacity in an upstream pipeline network, consideration shall first be given to the owner's duly substantiated reasonable needs, limited upwards to twice the owner's equity interests in the upstream pipeline network in question. If the sum of the reservations applied for by the owners pursuant to the first sentence, exceeds the capacity for which reservation is allowed, rights of use shall be allocated among the owners based on the distribution formula in the sixth paragraph.

Section 62

Allocation of new capacity resulting from expansions

When allocating rights to use increased spare capacity in an upstream pipeline network, consideration shall first be given to the duly substantiated reasonable needs of the party who bore the cost of such capacity, limited upwards to that party's share of the investment. The Ministry may decide that the upward limit to the individual party's share of the investment according to the first sentence shall not apply, including determining a different limit.

Section 63

Tariff for agreements in the primary market

Tariffs for agreements in the primary market shall be in accordance with the provisions laid down in and pursuant to this chapter.

A tariff shall be paid for the right the user has to capacity in the upstream pipeline network irrespective of whether that capacity is actually used.

The tariff consists of a capital element and an operating element.

The capital element is stipulated by the Ministry. When stipulating it, consideration shall be given to promoting the best possible management of resources. Furthermore, the capital element must be so stipulated that the owner can expect a reasonable return on the capital invested. Other special circumstances may also be taken into account.

The operating element must be such that neither the owner nor the operator has any loss or profit on management of the upstream pipeline network, other than the return stipulated pursuant to the fourth paragraph. The Ministry may stipulate which costs shall be taken into account when calculating the operating element. If consideration of efficient management so dictates, the Ministry may consent to exemption from the principle as mentioned in the first sentence of this paragraph.

The Ministry stipulates how costs relating to obligations concerning the future disposal of facilities for the transportation of natural gas shall be covered.

Section 64

Transferring rights to use capacity in an upstream pipeline network – the secondary market

The right to use capacity in an upstream pipeline network may be transferred by agreement in the secondary market. Such agreements may only be entered into with natural gas undertakings and eligible customers who have a duly substantiated reasonable need for transport and/or processing of natural gas

that accords with the requirements applying to the relevant upstream pipeline network, cf. section 59, third paragraph. Before such an agreement is entered into, or as soon as possible after such an agreement is entered into, the operator shall decide on whether the conditions for right to access are satisfied and thus whether right to access shall be granted in accordance with the agreement.

When a party who has a right to use capacity in an upstream pipeline network no longer has a duly substantiated reasonable need for all or part of that capacity, the natural gas undertakings and eligible customers who satisfy the condition in the first paragraph, shall have a right of access to this capacity.

The operator shall be informed of circumstances as mentioned in the second paragraph and shall be notified when an agreement is entered into in the secondary market.

The operator shall arrange and conduct a market place for transferring rights to use capacity in upstream pipeline networks. The operator shall draw up rules for the market place, which shall be subject to approval by the Ministry. None other than the operator may conduct a market place for transferring rights to use capacity in upstream pipeline networks, which are not under their management, without the consent of the Ministry. The Ministry may decide that all transfers of rights of use in the secondary market shall be made through the market place.

Section 65

The Ministry's handling of agreements for use

The individual agreement for the use of capacity in an upstream pipeline network that is entered into with a natural gas undertaking or eligible customer shall not be forwarded to the Ministry for approval, unless otherwise decided by the Ministry.

Agreements in the primary market shall be entered into in accordance with a standard agreement drawn up by the operator and approved by the Ministry. When drawing up the standard agreement, the operator shall consult the owner and users of the relevant upstream pipeline network and give their interests reasonable consideration.

The Ministry may decide that agreements for use of capacity in an upstream pipeline network and the conditions for transferring rights of use in the secondary market as mentioned, shall be reported to the Ministry or its appointed representative.

Section 66

Responsibility for the system

The operator shall be responsible for the operation of the upstream pipeline network, including maintenance and maintenance planning, in a good and prudent manner. The operator shall act in an impartial and non-discriminatory manner. The operator shall co-ordinate maintenance planning for the connected fields. In addition, the operator shall co-ordinate processes for further development of upstream pipeline networks and shall also make his own assessment of the need for implementing such further development.

Nominations of gas quality at inlets and outlets from the upstream pipeline network shall be co-ordinated by the operator.

In case of unforeseen events the operator may require that users, for short periods of time, adapt their supplies of natural gas at the inlet to the upstream pipeline network, to ensure that produced natural gas does not create significant operational disturbances or deterioration in the quality of the gas in such manner that specification requirements at the outlet from the upstream pipeline network are not met. In special circumstances the operator may require that a licensee of a production licence under which

petroleum is being produced, adapt his operations under the production licence for a short period to comply with the concerns set out in the first sentence. The operator shall, after consulting the affected parties, draw up procedures for application of this provision. Adaptations exceeding short periods may only be required upon consent from the Ministry in each particular case.

The operator shall make available information regarding spare capacity in the upstream pipeline network and such capacity as mentioned in section 64, third paragraph, to natural gas undertakings and eligible customers requesting such information. The operator is obliged to ensure that business secrets disclosed to him in accordance with these regulations are not disclosed to others, unless this is required pursuant to law or regulations.

Owners of upstream pipeline networks may not instruct the operator in his performance of tasks assigned to him in or pursuant to this chapter, unless otherwise is specifically stipulated in these regulations.

Section 67

Orders

If natural gas undertakings and eligible customers are not given right of access to upstream pipeline networks in accordance with the provisions of this chapter, the Ministry, directly or through the operator, may order the owner or the party entitled to use the upstream pipeline facility to give them the right to use capacity.

The Ministry may issue orders concerning the distribution and redistribution of capacity if the Ministry finds that capacity has not been distributed or is not being distributed in a manner ensuring the best possible management of resources, including regularity of supplies and regularity of production. Further, the Ministry may issue orders concerning the distribution and redistribution of capacity to avoid difficulties in upstream pipeline networks which cannot be reasonably overcome, and that could impair the efficient, current and planned future production of petroleum, including that from deposits of limited economic viability.

Natural gas undertakings and eligible customers from which capacity is taken pursuant to the first and second paragraphs, shall be given compensation that take account of the costs of acquiring such capacity.

Section 68

Disputes

Disputes relating to access to an upstream pipeline network may be referred to the Ministry or the party authorised by the Ministry for final decision. Such decisions shall be made without undue delay after referral. The Ministry or the party authorised by the Ministry may, as the dispute settlement authority, require the owner of such facilities to render separate accounts for transportation in the upstream pipeline network, as well as any other information for resolving the dispute.

Section 69

Scope of application of individual provisions in this chapter

The rules in sections 59, fourth paragraph, 61 except for the first sentence of the seventh paragraph, 63, 64, third and fourth paragraphs, 65 and 66, third and fourth sentences of the first paragraph, and the second, third, fourth and fifth paragraphs are applicable only to upstream gas pipeline networks that are encompassed by the Regulations relating to stipulation of tariffs.

The Ministry may decide that other facilities linked to upstream pipeline networks, such as processing plants, terminals and the final receiving terminal, as well as facilities for the transport and processing of condensate, shall be encompassed by the rules concerning upstream pipeline networks that are laid down in or pursuant to these Regulations.

The Ministry shall no later than by 1 January 2008, assess whether the system of a preferential right for the owners as described in the seventh paragraph of section 61, shall be continued.

Section 70

Final provisions

The Ministry stipulates supplementary provisions to the rules of this chapter through regulations or by individual decisions.

The Ministry may decide that one or more of the provisions of this chapter, with the exception of section 59, shall not apply in regard to certain specific agreements regarding transportation of natural gas in upstream pipeline networks approved pursuant to section 4-8 of the Act, before these Regulations enter into force.

CHAPTER 10 GENERAL PROVISIONS

Section 71

Organisation of the activities on shore

After the granting of a licence as mentioned in the Act sections 3-3 and 4-3, the Ministry may require that the licensee shall submit to the Ministry a plan specifying the intended localisation and organisation of the activities on the land territory or on seabed subject to private property rights.

Section 72

Transfer of a licence

When applying for approval to transfer a licence pursuant to the Act section 10-12 first paragraph, the provisions of sections 8, 10, 28 and 29 of these regulations shall apply to the extent that they are appropriate in relation to the intended transferee or transferees.

Section 73

Insurance

The activities conducted by the licensee pursuant to the Act Chapters 3 and 4 shall be insured at all times. The insurance must at least cover:

- a) damage to facilities,
- b) pollution damage and other liability towards third parties,
- c) wreck removal and cleanup as a result of accidents,
- d) insurance of the licensee's own employees who are engaged in the activities.

The licensee shall ensure that contractors and subcontractors engaged in the activities take out insurance for their employees to the same extent as the operator insures his own employees.

When taking out insurance as mentioned in the first paragraph literas a) to c), the licensee shall provide reasonable insurance cover, taking into consideration risk exposure and premium costs. Insurance as mentioned under litera d) shall be taken out as further agreed with the organisations of the employees.

The Ministry may consent to the licensee using another form of security arrangement.

At the end of each calendar year, the licensee shall inform the Ministry about existing insurance agreements, with an indication of the main terms. The Ministry may require further insurance to be taken out.

Section 74

Audit

In licences with state participation the operator shall ensure that accounts for the licence, that are prepared in accordance with the license, are audited by a state authorised public accountant. The audit report, in

accordance with RS 800, shall be available no later than four months after the end of the financial year.

Section 75

Use of labour

The licensee is responsible for seeing that all foreign employees who are required to have a work permit, possess the necessary permit before work is commenced.

The licensee shall not make use of labour that is hired out in violation of Norwegian legislation. The licensee shall see to it that this provision is complied with by the contractors and subcontractors of the licensee.

Section 76

Use of the Norwegian language

The Norwegian language should be used to the greatest extent possible in the petroleum activities. Other languages may be used when necessary or reasonable for the execution of the activities.

Section 77

Publicly available information

The licensee is obliged, through the operator, to make information about petroleum activities publicly available to the greatest possible extent as and when such information becomes available to the licensee.

Section 78

Trade union activities

Elected representatives of the employees in a trade union which has a wage agreement with the licensee, contractors or subcontractors performing work for him shall, to a reasonable extent, be allowed access to the work site in order to attend to duties relating to tariffs after having given notice to the local management.

Section 79

Naming etc of petroleum deposits

Designations given to petroleum deposits, fixed facilities and wells as well as use of proper names in naming of fields, shall be approved by the Norwegian Petroleum Directorate.

The Norwegian Petroleum Directorate may stipulate further provisions supplementing this section.

Section 80

Information relating to suppliers

The licensee cannot, pursuant to the Act, be ordered to provide information relating to future or present suppliers, unless the Ministry so requests on the basis of consideration for public morals, order and security, public health, protection of life and health for people and animals, plant life, national treasures of artistic, historical or archaeological value, or the industrial or commercial property right.

Section 81

Regulatory supervision etc

Representatives from the Ministry, the Norwegian Petroleum Directorate or other authorities as decided by the Norwegian Petroleum Directorate, shall at all times have access to vessels and facilities for petroleum activities, as well as to existing data and materials which are necessary to perform regulatory supervision, and shall have the right to take part in exploration activities. Representatives from the authorities have the right to stay on vessels and facilities for as long it is necessary. The licensee shall provide transportation of representatives from the authorities to and from vessels and facilities, as well as their stay on board.

Section 82

Observers

Representatives from the Ministry and the Norwegian Petroleum Directorate shall have the right to participate as observers in co-operative bodies established in accordance with agreements as mentioned in the Act section 3-3, with a view to joint activities as mentioned in the Act section 4-7, and if applicable, in co-operative bodies established in connection with the placing and operation of facilities as mentioned in the Act section 4-3.

Section 83

Expert and laboratory services

To the extent that this is considered reasonable, the Norwegian Petroleum Directorate may require the licensee to make expert and laboratory services available to the Norwegian Petroleum Directorate for the purpose of solving particular problems in connection with the petroleum activities.

Section 84

Training of civil servants

The licensee may be required to carry out training of personnel from the Ministry, the Norwegian Petroleum Directorate or other Norwegian authorities. The training shall be carried out according to further agreement.

The Ministry may impose on the licensee to make provision for teachers teaching petroleum related subjects in Norwegian educational institutions to obtain practical on the job training at the offices, plants and facilities of the licensee.

Section 85

Procedures and duty of secrecy

The rules of the Act 10 February 1967 relating to procedures in cases concerning the public administration (the public administration Act) section 18, first paragraph regarding the right of a party to acquaint himself with the documents of the case, are not applicable to applications for production licences.

Information of any kind communicated to the authorities in connection with an application for production licence shall be subject to duty of secrecy until the production licences for the areas in question have been granted. Thereafter, the information shall be subject to duty of secrecy to the extent this is in accordance with the public administration Act, for a period of 20 years, cf the public administration Act section 13 c), third paragraph.

Anyone performing services or work for a public body shall have a duty to prevent unauthorised persons from gaining access to or knowledge of what they become acquainted with in their service or work about aspects of geology, reservoir engineering or production engineering from reports or other material submitted to public authorities. With regard to data subject to the duty of secrecy according to the first sentence, the duty of secrecy shall have the following duration calculated from the time when the data became available to the owner of the data:

- a) 2 years for data which are not commercially available, and which are owned as joint property by the licensees in a production licence, and which originate from the production licence in question,
- b) 10 years for data, which have been commercially available from the time when they became available to the owner,
- c) 5 years for other data.

With regard to data as mentioned in the third paragraph, the following shall apply: In respect of data which are owned as joint property by licensees holding a production licence and which originate from the production licence in question, the duty of secrecy lapses as from the time when the licence is surrendered or the area where the data originate from is relinquished. Information as to whether the data shall be commercially available shall be submitted to the Norwegian Petroleum Directorate according to section 6 seventh paragraph. The Norwegian Petroleum Directorate may determine what shall be considered to be commercially available data. With regard to interpreted data the duty of secrecy shall have a duration of 20 years. The Norwegian Petroleum Directorate may on application shorten the period for duty of secrecy

for interpreted data and may extend or shorten the period for duty of secrecy for data as mentioned in the third paragraph.

Otherwise the provisions relating to confidentiality in sections 13 to 13f of the public administration Act shall apply to public bodies receiving or dealing with information or material relating to petroleum activities, notwithstanding that the duty of secrecy shall cease after 20 years, cf. section 13 c) third paragraph of the public administration Act.

The provisions in this section shall not prevent the Ministry from making general statements about the activities and the possibilities of finding petroleum deposits, nor shall they prevent the exchange of information as assumed in the Act 3 June 1994 no55 relating to the Central Coordinating Register of Legal Entities ('Enhetsregisteret') and the Register of Business Reporting Obligation ('Oppgavepliktregisteret'), chapter 6 a.

Further the provisions in this section shall not prevent the exchange of information with the Ministry of Labour and Government Administration and the Petroleum Safety Authority Norway.

Section 86

Delegation and dispensation

The Ministry may issue such regulations and give such orders as may be necessary for the implementation of these regulations.

The Ministry may make its own decisions or delegate authority to others, regardless of whether authority has been delegated to the Norwegian Petroleum Directorate pursuant to these regulations.

Authority in connection with regulatory supervision may in particular cases be delegated to others than public bodies.

In particular cases, the Ministry may grant dispensation from provisions contained in or issued pursuant to these regulations.

When authority in these regulations has been delegated to the Norwegian Petroleum Directorate, this also comprises authority pursuant to the first and fourth paragraphs.

Section 87

Penal provision

Violation of these regulations or of decisions made pursuant to these regulations shall be punishable as stated in the Act section 10-17.

Section 88

Entry into force etc ²⁾

These regulations enter into force 1 July 1997. As from the same time, the following shall be repealed:

1. Regulations 14 June 1985 no 1158 to Act relating to petroleum activities.
2. Regulations 1 April 1980 no 9464 relating to the collection of royalty on production of petroleum resources in Norwegian internal waters, in Norwegian sea territory and that part of the continental shelf which is under Norwegian sovereignty.

- 2) The Ministry of Petroleum and Energy may in consultation with the Ministry of the Environment and other relevant public authorities decide that if an application for approval of the plan for development and operation or the plan to install and to operate has been received

prior to the entry into force of these [Amendments dated 4 June 1999] Regulations, the Regulations to Act relating to petroleum activities, laid down by Royal Decree 27 June 1997 No. 653, shall apply without the amendments that ensue from these Regulations.