

- (a) that where another state corporation or subsidiary of such a Corporation is also to be a co-licensor, the combined share to be held in the licence by that other corporation or its subsidiary, and the BNOC or its subsidiary, shall total 51%; and
- (b) where the Secretary of State decides to grant a licence solely to a state corporation or its subsidiary.

4 The consideration required in respect of production licences granted as a result of this invitation will be:

- (a) in respect of the first period of four years of the licence a non-recurrent fee payable upon the grant of the licence of eighty pounds for each square kilometre comprised in the licence area; and in respect of any second period of three years, a non-recurrent fee payable at the end of the fourth year of one hundred and twenty pounds for each square kilometre comprised in the continuing part;
- (b) in respect of the first year after the expiry of the second period (on exercise of the option to continue as to the remaining period of the licence) the sum of two hundred pounds for each square kilometre in the continuing part; in respect of the second year four hundred pounds, and similarly by annual increments of two hundred pounds until an annual sum of three thousand pounds will be payable for each square kilometre comprised in the licensed area;
- (c) a royalty at the rate of 12½ per cent, either in kind or by value on all quantities of petroleum won and saved.

Licences granted may be subject to special conditions governing the notice required for, and the timing and circumstances of, drilling.

5 Applicants will be judged against the background of the continuing need for expeditious, thorough and efficient exploration to identify oil and gas resources of the UK Continental Shelf, and the following factors will be particularly borne in mind when examining applications:

- (a) technical competence to undertake a programme of exploration and production;
- (b) capability to produce funds commensurate with work programme obligations in respect of initial exploration and the extent of access to adequate funds in the event of a commercial discovery being made;
- (c) where the applicant already holds or has held a licence, his overall performance to date in meeting licence obligations;
- (d) exploration already done by or on behalf of the applicant which is relevant to the areas applied for;
- (e) the extent of the contribution which the applicant has made or is planning to make to the economy of the UK, including the strengthening of the UK balance of payments and the growth of industry and employment;
- (f) where a body incorporated in a country outside the United Kingdom applies for a licence or holds a controlling interest in the applicant, how far equitable treatment is afforded in such other country;
- (g) the degree to which the applicant, or any existing licensee in whom he has a controlling interest, or any existing licensee who has a controlling interest in the applicant, has demonstrated his agreement to the conceding to the State a majority share in any discovery made under existing licences;
- (h) whether the applicant subscribes to the Memorandum of Understanding agreed by the Secretary of State and United Kingdom Offshore Operators Association to ensure that full and fair opportunity is provided to UK industry to compete for orders of goods and services. Where the applicant is an existing licensee, his past performance in providing full and fair opportunity to UK industry will be taken fully into account;
- (i) whether the applicant is willing to grant reasonable access to representatives of independent trade unions to his offshore installations, having in mind the Government's objective to negotiate a memorandum of understanding on this matter.

6 The Secretary of State will in due course notify those applicants who are being favourably considered for the grant of a licence that they will be offered a licence if (a) they settle a form of operating agreement with the BNOC to the satisfaction of the Secretary of State and (b) in association with the BNOC, they agree with the Secretary of State an acceptable work programme for the prospective licence. In respect of the settlement of both the operating agreement and the work programme, the Secretary of State will wish to be satisfied that adequate exchange of information between the BNOC and the prospective licensee takes place to ensure that negotiations for this purpose are meaningful. Guidelines as to the type of arrangements which the Secretary of State expects to be included in the operating agreements are set out at Schedule 2.

7 The Secretary of State will advise applicants of his decision in due course.

SCHEDULE 1

3/9b, 3/10b, 3/14b, 3/24b, 3/25b.
 9/9b, 9/10c, 9/14b, 9/15b.
 13/13, 13/14, 13/15, 13/18, 13/19, 13/20, 13/27.
 14/11, 14/12, 14/13, 14/16, 14/17, 14/18.
 19/2.
 20/3, 20/6, 20/7, 20/8, 20/9.
 23/16b, 23/26b.
 30/17b, 30/19b.
 83/22, 83/23, 83/24, 83/25, 83/27.
 84/16, 84/17, 84/18.
 86/13, 86/14, 86/15.
 87/6A, 87/7A, 87/8, 87/9, 87/10, 87/11, 87/12.
 97/18A.
 98/11A, 98/22, 98/23.
 106/10, 106/15, 106/20, 106/29.
 107/10, 107/11, 107/15, 107/16, 107/21.
 110/1, 110/9.
 132/10, 132/15.
 133/6, 133/11.
 210/10.
 211/6.

SCHEDULE 2

Guidelines as to the Relationship between BNOC and Co-Licensees on Licence Activities

BNOC to be a Co-licensor

1 Licences will be granted on the basis that the British National Oil Corporation (BNOC), either directly or through subsidiaries, is a co-licensor from the outset. It will therefore be necessary for applicants for licences, who have been notified that their application is likely to be successful, to settle a form of operating agreement with BNOC in advance of the grant of the licences.

Nature of the Guidelines

2 In exercising his discretion as to the grant of licences, the Secretary of State will wish to examine the form of the operating agreement settled between BNOC and its proposed co-licensors in the licence. The Secretary of State will expect to see that the agreement incorporates the substance of the guidelines set out hereunder but he will be prepared exceptionally to consider variations which the proposed parties can satisfy him are reasonable, and which are consistent with the national interest, including any which may be necessary in circumstances where the subsidiaries of BNOC or of the British Gas Corporation (BGC) are involved.

BNOC's share in the licence

3 The form of the agreement is to provide that BNOC is to be entitled to a 51% share in all the benefits of the licence, including a corresponding share of the petroleum produced and the income which accrues from petroleum discoveries within the licensed area; except where BNOC decides not to participate in a development, in which case the arrangements should be as described in paragraph 7 below.

Operating Committee

4 BNOC is to be entitled, from the date of issue of the licence, to a vote, appropriate to its having a 51% share, on any Operating Committee which is set up. It will be fully involved before decisions are taken. It will nominate