

Act 29 November 1996 No. 72 relating to petroleum activities. Last amended by Act 14 December 2001 No 98, 28 June 2002 No 61, 20 December 2002 No 88, 27 June 2003 No 68, 7 January 2005 No 2, 30 June 2006 No 60 and 26 January 2007 No3.

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CHAPTER 1 INTRODUCTORY PROVISIONS

Section 1-1

The right to subsea petroleum deposits and resource management

The Norwegian State has the proprietary right to subsea petroleum deposits and the exclusive right to resource management.

Section 1-2

Resource management

Resource management is executed by the King in accordance with the provisions of this Act and decisions made by the Storting (Parliament).

Resource management of petroleum resources shall be carried out in a long-term perspective for the benefit of the Norwegian society as a whole. In this regard the resource management shall provide revenues to the country and shall contribute to ensuring welfare, employment and an improved environment, as well as to the strengthening of Norwegian trade and industry and industrial development, and at the same time take due regard to regional and local policy considerations and other activities.

Section 1-3

Requirements relating to licence etc.

None other than the State may conduct petroleum activities without the licences, approvals and consents required pursuant to this Act. Provisions otherwise in the Act and regulations issued pursuant to the Act shall apply to such activities insofar as they are appropriate.

Section 1-4

Scope of application

This Act applies to petroleum activities in connection with subsea petroleum deposits under Norwegian jurisdiction. The Act also applies to petroleum activities inside and outside the realm and the Norwegian continental shelf to the extent such application follows from international law or from agreement with a foreign state.

The Act shall apply to utilisation of produced petroleum that takes place on Norwegian land territory or seabed subject to private property rights only when such utilisation is necessary to or constitutes an integrated part of production or transportation of petroleum.

When a pipeline located in Norwegian internal waters, in Norwegian territorial sea or on the continental shelf starts outside Norwegian jurisdiction, the King may, to the extent this follows from international law, decide which provisions of this Act shall apply to such pipeline with associated equipment.

As regards liability for pollution damage according to Chapter 7 and damage arisen as a result of pollution and waste according to Chapter 8, the special provisions laid down in those chapters shall apply.

The Act does not apply to Svalbard, including its internal waters and territorial sea.

The King may issue regulations to supplement or delimit the provisions of this Section, i.a. with regard to what utilisation is considered necessary to or constitutes an integrated part of production or transportation of petroleum as mentioned in the second paragraph. In case of doubt, the King may decide whether a facility or an activity shall be comprised by the Act or not.

Section 1-5

Other Norwegian law

Norwegian law other than this Act, including provisions relating to licences, consents or approvals required according to the legislation, shall also be applicable to petroleum activities. This applies unless otherwise warranted by an Act, a decision by the King, international law or agreement with a foreign state.

Notwithstanding the above, other Norwegian law shall not apply to mobile facilities under foreign flag other than those that are permanently placed, unless otherwise stipulated by an Act or by a decision made by the King in Council.

Section 1-6 Definitions

In this Act the following definitions shall apply:

- a) petroleum, all liquid and gaseous hydrocarbons existing in their natural state in the subsoil, as well as other substances produced in association with such hydrocarbons.
- b) petroleum deposit, an accumulation of petroleum in a geological unit, limited by rock characteristics by structural or stratigraphic boundaries, contact surface between petroleum and water in the formation, or a combination of these, so that all the petroleum comprised everywhere is in pressure communication through liquid or gas. In cases of doubt, the Ministry will determine what shall be regarded as a petroleum deposit.
- c) petroleum activity, all activities associated with subsea petroleum deposits, including exploration, exploration drilling, production, transportation, utilisation and decommissioning, including planning of such activities, but not including, however, transport of petroleum in bulk by ship.
- d) facility, installation, plant and other equipment for petroleum activities, however not supply and support vessels or ships that transport petroleum in bulk. Facility also comprises pipeline and cable unless otherwise provided,
- e) exploration, geological, petrophysical, geophysical, geochemical and geotechnical activities, including shallow drilling, as well as operation and use of a facility to the extent it is used for the purpose of exploration.
- f) exploration drilling, drilling of wildcat and appraisal wells, as well as operation and use of a facility to the extent it is used for the purpose of exploration drilling.
- g) production, production of petroleum, including drilling of production wells, injection, improved recovery, treatment and storage of petroleum for transport, and shipment of petroleum for transport by ship, as well as the construction, placing, operation and use of a facility for the purpose of production.
- h) transportation, shipment of petroleum by pipeline as well as the construction, placing, operation and use of a facility for the purpose of transportation.
- i) utilisation, cooling in order to liquefy gas, refining and petrochemical activity, production and transmission of electric power and other use of produced petroleum, storage of petroleum as well as the construction, placing, operation and use of a facility for the purpose of utilisation.
- j) licensee, physical person or body corporate, or several such persons or bodies corporate, holding a licence according to this Act or previous legislation to carry out exploration, production, transportation or utilisation activities. If a licence has been granted to several such persons jointly, the term licensee may comprise the licences collectively as well as the individual licensee.
- k) operator, anyone executing on behalf of the licensee the day to day management of the petroleum activities.
- l) the continental shelf, the seabed and subsoil of the marine areas extending beyond the Norwegian territorial sea, throughout the natural prolongation of the Norwegian land territory to the outer edge of the continental margin, but no less than 200 nautical miles from the base lines from which the breadth of the territorial sea is measured, however, not beyond the median line to another state, unless otherwise can be derived from the rules of international law for the continental shelf beyond 200 nautical miles from the base lines, or from an agreement with the relevant state.
- m) upstream pipeline network, any pipeline or network of pipelines operated or constructed as part of an oil or gas production project, or used to convey natural gas from one or more production facilities of this type to a processing plant, a terminal or a final landing terminal. Those parts of such networks and facilities that are used for local production activities of a deposit where the natural gas is produced are not regarded as upstream pipeline networks.
- n) natural gas undertaking, any natural or legal person carrying out at least one of the following

functions: production, transmission, distribution, supply, purchase or storage of natural gas, including liquefied natural gas (LNG), and which is responsible for the commercial and technical tasks or maintenance related to these functions, but shall not include final customers.

- o) eligible customers, all customers domiciled in an EEA state, with the exception of household customers. From and including 1 July 2007: All customers.

CHAPTER 2 EXPLORATION LICENCE

Section 2-1 Granting of exploration licence etc.

The Ministry may grant to a body corporate a licence to explore for petroleum within limited areas of the seabed or its subsoil. Exploration licence may also be granted to a physical person domiciled in an EEA state.

The exploration licence gives the right to explore for petroleum. It does not give exclusive right to exploration in those areas that are mentioned in the licence, nor any preferential right when production licences are granted. Production licence may be granted to others, or licence may be granted according to Section 4-3 in areas covered by exploration licences, without giving rise to any liability or any obligation to refund fees that have been paid.

Exploration licence is granted for a period of 3 calendar years unless another period of time is stipulated.

The Ministry may authorise a licensee holding an exploration licence to undertake other exploration activities.

The King may issue regulations relating to the contents of an application for exploration licence, the scope of such licence, the further conditions of the licence and the fee to be paid.

Section 2-2 The area covered by the exploration licence

The exploration licence shall state the area covered by the licence. The exploration licence does not give any right to exploration in areas covered by production licences, unless otherwise decided by the Ministry in accordance with Section 3-11.

CHAPTER 3 PRODUCTION LICENCE ETC.

Section 3-1 Opening of new areas

Prior to the opening of new areas with a view to granting production licences, an evaluation shall be undertaken of the various interests involved in the relevant area. In this evaluation, an assessment shall be made of the impact of the petroleum activities on trade, industry and the environment, and of possible risks of pollution, as well as the economic and social effects that may be a result of the petroleum activities.

The opening of new areas is a matter which shall be put before local public authorities, central trade and industry associations and other organisations which may be presumed to have a particular interest in the matter.

Furthermore it shall be made known through public announcement which areas are planned to be opened for petroleum activities, and the nature and extent of the activities in question. Interested parties shall be given a period of time of no less than 3 months to present their views.

The Ministry decides on the administrative procedure to be followed in each individual case.

Section 3-2

Division of the continental shelf

Offshore areas inside the outer boundary of the continental shelf are divided into blocks of 15 latitude minutes and 20 longitude minutes in size, unless adjacent land areas, common boundaries with the continental shelf of other states, or other circumstances warrant otherwise.

Section 3-3

Production licence

The King in Council may, on conditions to be further stipulated, grant production licence. A production licence may cover one or several blocks or parts of blocks.

Production licence may be granted to a body corporate established in conformity with Norwegian legislation and registered in the Norwegian Register of Business Enterprises, insofar as other requirements are not applicable pursuant to international agreements. Production licence may also be granted to a physical person domiciled in a state of the European Economic Area (EEA).

A production licence entails an exclusive right to exploration, exploration drilling and production of petroleum deposits in areas covered by the licence. The licensee becomes the owner of the petroleum which is produced.

The King may stipulate as a condition for granting a production licence that the licensees shall enter into agreements with specified contents with one another.

Section 3-4

Agreements with a view to applying for a production licence

Co-operation agreements entered into with a view to applying for a production licence shall be submitted to the Ministry. The Ministry may require alterations to be made in such agreements.

Section 3-5

Announcement and granting of a licence

Prior to the granting of a production licence, the Ministry shall, as a rule, announce the area for which applications for production licences may be submitted.

The announcement shall be published through notification in The Norwegian Gazette (Norsk Lysingsblad) and the Official Journal of the European Communities. The notification shall stipulate a time limit for the filing of applications of not less than 90 days, and it shall contain such information as decided by the Ministry.

The granting of a production licence shall be done on the basis of factual and objective criteria, and the requirements and conditions stated in the notification. The King is not obliged to grant any production licence on the basis of the applications received.

The King may grant production licences without announcement. Prior to such granting of a production licence, the licensees of production licences in all adjacent areas shall be given the opportunity to apply for a production licence for the area in question. Notification shall be published in The Norwegian Gazette (Norsk Lysingsblad) and the Official Journal of the European Communities indicating the blocks which are affected.

Further regulations about the content of an application for production licence, and about the payment of application fees, are issued by the King.

Section 3-6

State participation

The King may decide that the Norwegian State shall participate in petroleum activities according to this Act.

Section 3-7

Operator

When granting a production licence, the Ministry shall appoint or approve an operator .

Change of operator must be approved by the Ministry. When warranted for particular reasons, the Ministry may undertake the change of operator.

If the Ministry appoints or approves an operator who is not a licensee according to the production licence, the provisions concerning the obligations of the licensee established in or pursuant to this Act shall apply correspondingly to the operator unless otherwise specifically provided. Notwithstanding the above, an operator who is not a licensee according to the production licence shall not be responsible under Section 5-4 second paragraph.

This provision shall apply correspondingly to specific licence to install and to operate facilities according to Section 4-3.

Section 3-8

Work obligation

The King may impose on the licensee a specific work obligation for the area covered by the production licence.

Section 3-9

The duration of a production licence etc.

The production licence shall be granted for up to 10 years. If the production licence is granted for a shorter period of time, the Ministry may subsequently extend the licence period within the 10 years limit.

A licensee who has fulfilled the work commitment according to Section 3-8 and the conditions otherwise applicable to the individual production licence, may demand that the licence shall be extended after the expiry of the period stipulated pursuant to the first paragraph. The extension period shall be stipulated in the individual production licence, and shall as a general rule be up to 30 years, but may in specific cases be up to 50 years.

When granting a licence, the King shall stipulate what part of the area covered by the production licence the licensee may demand an extension for pursuant to the second paragraph. The size of the area stipulated according to the first sentence shall as a rule constitute 50 percent of the area covered by the production licence, notwithstanding that the licensee shall be entitled to keep at least 100 square kilometres. The Ministry may on application consent to the licensee keeping more than the area stipulated when the licence is granted according to this provision.

The King may issue regulations relating to delimitation of the areas to be relinquished according to the third paragraph.

The Ministry may, on application from the licensee and when particular reasons so warrant, extend the production licence in excess of the extension according to the second paragraph. Application for extension must have been submitted no later than 5 years prior to the expiry of the production licence, unless otherwise approved or decided by the Ministry. The Ministry stipulates the conditions for such particular extension.

Section 3-10

Dividing the area of a production licence

The Ministry may on application from a licensee approve that part of the area covered by the production licence is partitioned off and issue a separate production licence for the area partitioned off.

The King may issue regulations relating to delimitation of the area partitioned off.

Section 3-11

Right for others to exploration

The Ministry may, in specific cases, grant to someone other than the licensee the right to carry out exploration in an area covered by a production licence. The Ministry shall determine the kind of exploration that may be carried out and the duration of the activities.

Section 3-12

Right for others to place facilities etc.

A licensee cannot oppose the laying of pipelines, cables or wires of various kinds, or the placing of other facilities on, in or above the area covered by the production licence. Such facilities must not cause unreasonable inconvenience to the licensee.

The provisions of the first paragraph shall apply correspondingly to any surveys concerning routing or the subsoil, and which are necessary prior to such placement.

Section 3-13

Natural resources other than petroleum resources etc.

A production licence does not preclude the granting to others than the licensee of rights to undertake exploration for and production of natural resources other than petroleum resources, provided it does not cause unreasonable inconvenience to the petroleum activities conducted by a licensee pursuant to the production licence. The same applies to scientific research.

If there has been any discovery of natural resources other than petroleum resources in an area covered by a production licence, and if continued activities cannot take place without causing unreasonable inconvenience to the petroleum activities conducted by the licensee pursuant to the production licence, the King shall decide which of the activities shall be postponed, and, if applicable, to what extent. In so deciding, account shall be taken of the nature of the discovery made, investments undertaken, the stage the activities have reached, the duration and extent of the activities and their economic and social impact etc., seen in relation to the activities conducted pursuant to the production licence.

Anyone subject to postponement of his activities may require extension of the licence for a period of time corresponding to the postponement. If the postponement only applies to a limited part of the activities which may be conducted pursuant to the licence, the Ministry may stipulate a shorter period for the extension, decide that extension shall not be granted or that extension shall only be granted for part of the area to which the licence applies.

If the postponement has the effect that the work obligation imposed according to Section 3-8 cannot be accomplished within the stipulated time limit, the time limit shall be extended to the extent necessary.

If the petroleum activities are postponed, the area fee for the extension period shall be waived or reduced according to the discretionary judgement of the Ministry. Fees which have been paid in advance shall not be refunded.

If the postponement according to the second paragraph must be assumed to be of particularly long duration, the relevant licence may instead be revoked.

The King may decide that the party authorised to maintain his activities shall wholly or partly refund to the party that has to postpone or curtail his activities the costs incurred and, to a reasonable extent, cover other losses.

Section 3-14

Relinquishment of areas

The licensee may during the period mentioned in Section 3-9, first paragraph, with 3 months notice, relinquish parts of the area covered by the production licence. Thereafter, relinquishment of parts of the area may take place at the end of each calendar year, provided notice of such relinquishment has been given at least 3 months in advance. The Ministry may require the obligations stipulated according to the production licence and the conditions on which it has been granted to be fulfilled prior to relinquishment.

The King may issue regulations relating to delimitation of relinquished areas.

Section 3-15

Surrender of a production licence

The licensee may during the period mentioned in Section 3-9, first paragraph, with 3 months notice, surrender a production licence in its entirety. Thereafter, surrender may take place at the end of each calendar year, provided notice of such surrender has been given at least 3 months in advance. The Ministry may require the obligations stipulated according to the production licence and the conditions on which it has been granted to be fulfilled prior to surrender.

CHAPTER 4 PRODUCTION ETC. OF PETROLEUM

Section 4-1 Prudent production

Production of petroleum shall take place in such a manner that as much as possible of the petroleum in place in each individual petroleum deposit, or in several deposits in combination, will be produced. The production shall take place in accordance with prudent technical and sound economic principles and in such a manner that waste of petroleum or reservoir energy is avoided. The licensee shall carry out continuous evaluation of production strategy and technical solutions and shall take the necessary measures in order to achieve this.

Section 4-2 Plan for development and operation of petroleum deposits

If a licensee decides to develop a petroleum deposit, the licensee shall submit to the Ministry for approval a plan for development and operation of the petroleum deposit.

The plan shall contain an account of economic aspects, resource aspects, technical, safety related, commercial and environmental aspects, as well as information as to how a facility may be decommissioned and disposed of when the petroleum activities have ceased. The plan shall also comprise information on facilities for transportation or utilisation comprised by Section 4-3. In the event that a facility is to be placed on the territory, the plan shall in addition provide information about what applications for licences etc. have been submitted according to other applicable legislation.

The Ministry may, when particular reasons so warrant, require the licensee to produce a detailed account of the impact on the environment, possible risks of pollution and the impact on other affected activities, in respect of a larger defined area.

If the development is planned in two or more stages, the plan shall, to the extent possible, comprise the total development. The Ministry may limit the approval to apply to individual stages.

Substantial contractual obligations must not be undertaken, nor construction work be started, until the plan for development and operation has been approved, unless by consent from the Ministry.

The Ministry may on application from a licensee waive the requirement to submit a plan for development and operation.

The Ministry shall be notified of and shall approve any significant deviation or alteration of the terms and preconditions on which a plan has been submitted or approved and any significant alteration of facilities. The Ministry may require a new or amended plan to be submitted for approval.

Section 4-3

Specific licence to install and to operate facilities for transport and utilisation of petroleum

The Ministry may on specified conditions grant a specific licence to install and to operate facilities when right to install and to operate facilities does not follow from an approved plan for development and operation pursuant to Section 4-2.

Application shall be submitted containing plan for the construction, placing, operation and use of facilities as mentioned in the first paragraph, including shipment facilities, pipelines, liquefaction facilities, facilities for generation and transmission of electric power and other facilities for transportation

or utilisation of petroleum.

Licence may be granted for a fixed period of time, and may on application from the licensee be extended by the Ministry.

The provisions of Section 4-2, with the exception of the first and fifth paragraphs, shall apply correspondingly unless otherwise decided by the Ministry.

Section 4-4

Stipulation of production schedule etc.

The Ministry shall, prior to or concurrently with approval pursuant to Section 4-2 or a licence being granted pursuant to Section 4-3, approve the production schedule. A production schedule other than that which follows from Section 4-1 may be stipulated if warranted by resource management considerations or other significant social considerations.

Burning of petroleum in excess of the quantities needed for normal operational safety shall not be allowed unless approved by the Ministry.

Upon application from the licensee, the Ministry shall stipulate, for fixed periods of time, the quantity which may be produced, injected or cold vented at all times. An application shall be submitted at such times and shall have such contents as decided by the Ministry. The Ministry shall base this stipulation on the production schedule on which the development plan is based, unless new information on the deposit or other circumstances warrant otherwise.

When so required due to important interests of society, the King in Council may, for an individual petroleum deposit or several petroleum deposits, stipulate other production schedules than those stipulated or approved pursuant to the first and third paragraph, and may in this connection order improved recovery. If the decision according to this paragraph is to the effect that production shall be reduced in relation to the production schedule stipulated or approved, the Ministry shall endeavour to apportion to a reasonable extent the reduction proportionately between the relevant petroleum deposits. In the event of such apportionment, special considerations shall be given to long-term agreements for the supply of gas and to petroleum deposits which in part are situated on the continental shelf of another state.

Upon application from the licensee, the Ministry may approve test production of a petroleum deposit. Duration, quantity and other conditions for such test production shall be decided by the Ministry.

The Ministry may require the licensee to produce a report on field related matters, including alternative schemes for production and, if applicable, injection, and the total recovery factor for various production schedules.

Section 4-5

Postponement of exploration drilling and development

The Ministry may decide that exploration drilling or development of a deposit shall be postponed.

The provisions relating to extension of the licence, extension of the time limit set for implementing the work obligation and payment of area fee during the extension period in Section 3-13 third, fourth and fifth paragraphs shall apply accordingly.

Section 4-6

Preparation, commencement and continuation of production

The Ministry may make a decision to require preparation, commencement or continuation of production, and hereunder, that on-going production shall be continued or increased, when this is economically beneficial to society, when necessary to develop an efficient transportation system or to ensure efficient utilisation of facilities comprised by Sections 4-2 and 4-3. Such decision may also be made if it is efficient for reservoir engineering reasons, or when it is desirable that two or more petroleum deposits are produced in conjunction with each other, or when warranted by other significant social reasons.

If the decision according to the first paragraph is to the effect that production shall be prepared or commenced, the licensee shall be given a period of two years to present a plan according to Section 4-2

and a progress schedule. If the decision is to the effect that production shall be continued, the licensee shall be given a period of no less than 6 months to present a plan for implementation.

If the plan according to the second paragraph is not submitted prior to expiry of the time limit, or if the licensee informs the Ministry that he will not prepare, commence or continue production of the deposit, or if the licensee without plausible reason and in spite of order to such effect fails to take the necessary steps to implement the plan, the Ministry may initiate measures to commence or continue production, and in this connection revoke the production licence or parts of the area of the production licence to the extent this is considered necessary to achieve efficient production. The same shall apply if the licensee presents a plan which the Ministry does not consider to be satisfactory, provided that the licensee shall nevertheless be given a period of at least 6 months to present an amended plan.

If the production licence is revoked pursuant to the third paragraph, the licensee's costs for exploration and exploration drilling in connection with the deposit in question shall be reimbursed by the State.

Section 4-7

Joint petroleum activities

If a petroleum deposit extends over more than one block with different licensees, or onto the continental shelf of another state, efforts shall be made to reach agreement on the most efficient co-ordination of petroleum activities in connection with the petroleum deposit as well as on the apportionment of the petroleum deposit. This shall apply similarly when, in the case of several petroleum deposits, joint petroleum activities would obviously be more efficient.

Agreements on joint exploration drilling shall be submitted to the Ministry. Agreements on joint production, transportation, utilisation and cessation of petroleum activities shall be submitted to the Ministry for approval. If consensus on such agreements is not reached within reasonable time, the Ministry may determine how such joint petroleum activities shall be conducted, including the apportionment of the deposit.

Section 4-8

Use of facilities by others

The Ministry may decide that facilities comprised by Sections 4-2 and 4-3, and which are owned by a licensee, may be used by others, if so warranted by considerations for efficient operation or for the benefit of society, and the Ministry deems that such use would not constitute any unreasonable detriment of the licensee's own requirements or those of someone who has already been assured the right of use. Nevertheless, natural gas undertakings and eligible customers domiciled in an EEA State shall have a right of access to upstream pipeline networks, including facilities supplying technical services incidental to such access. The Ministry stipulates further rules in the form of regulations and may impose conditions and issue orders relating to such access in the individual case.

Any agreement on the use of facilities comprised by Sections 4-2 and 4-3 shall be submitted to the Ministry for approval unless otherwise decided by the Ministry. The Ministry may on approving an agreement according to the first sentence, or in the event that no such agreement is reached within a reasonable period of time, as well as in the case of an order according to the first paragraph, stipulate tariffs and other conditions or subsequently alter the conditions that have been approved or stipulated, in order to ensure that implementation of projects is carried out with due regard to considerations relating to resource management and to providing the owner of the facility with a reasonable profit taking into account, among other things, investments and risks.

Section 4-9

Extended operator responsibility for the overall operation of upstream pipeline network etc.

The Ministry may appoint someone to assume extended operator responsibility for the overall operation of upstream pipeline network and associated facilities, including undertake change of operator when warranted for particular reasons.

The overall operation of upstream pipeline network and associated facilities shall be carried out in

accordance with prudent technical and sound economic principles. Whoever has the extended operator responsibility as mentioned in the first paragraph, shall act in a neutral and non-discriminatory manner.

The King may issue further rules relating to the responsibility as mentioned in the first and second paragraphs, including deciding that whoever has been assigned to assume this responsibility, shall also make decisions in respect of access to upstream pipeline network, and may order owners and users of upstream pipeline network and associated facilities and licensees of production licences where petroleum is produced, to adapt their activities. Such order might be given to ensure prudent resource management and efficient operation of the of upstream pipeline network in question.

The King may decide that the Act of 10 February 1967 pertaining to procedures regarding public administration and the Act of 19 June 1970 No. 69 relating to public information shall not be applicable to the party assigned a specific responsibility as operator in accordance with the first paragraph.

Section 4-10

Area fee, production fee etc.

The licensee shall pay a fee for a production licence, after expiry of the period stipulated pursuant to Section 3-9 first paragraph first sentence, calculated per square kilometre (area fee).

The licensee shall furthermore pay a fee calculated on the basis of the quantity and value of petroleum produced at the shipment point of the production area (production fee). With regard to petroleum which is injected, exchanged or stored prior to being delivered to be taken ashore or used for consumption, the production fee shall be calculated on the basis of the quantity and value of the petroleum at the shipment point for the original production area at the time when the petroleum according to contract is delivered to be taken ashore or used for consumption. Nevertheless, production fee shall not be paid for petroleum produced from deposits where the development plan is approved or where the requirement to submit a plan for development and operation is waived after 1 January 1986.

When granting a production licence, a non-recurring fee (cash bonus) may be levied and there may be stipulated a fee which shall be calculated on the basis of production volume (production bonus).

The Ministry may with 6 months' notice decide that the production fee shall be paid wholly or partly in the form of produced petroleum. The Ministry may in such cases require the licensee to make sure that such petroleum is transported, processed, stored and made available at prices, priority and other conditions which are no less favourable than the terms applicable to the licensee's own petroleum from the relevant production area. The Ministry may, with 6 months' notice, decide that the fee shall again be paid in cash.

Petroleum which the State is entitled to receive as production fee, and the State's right to transportation, processing and storage of such petroleum may be transferred to others. Such transfer shall relieve the State of future obligations.

The King may issue regulations relating to the size of the fees and bonuses mentioned in first, second and third paragraphs and on the method of calculation, including provisions on stipulation of the value which shall form the basis for the calculation, on metering of the petroleum e.g. for fiscal purposes, and on information which the licensee shall provide about the production. The King may determine that the fees mentioned in the first and second paragraphs shall not be paid wholly or partly, or that the duty to pay such fees shall be postponed.

Claims for fees with accrued interest and charges are grounds for enforcement of distraint.

Section 4-11

Landing of petroleum

The King decides where and in which way landing of petroleum shall take place.

Section 4-12

Supplies to cover national requirements

The King may decide that the licensee shall make deliveries from his production to cover national requirements, and provide transportation to Norway. The King may further decide to whom such

petroleum shall be delivered.

A price shall be paid for the petroleum delivered, which shall be determined in the same way as the price which forms the basis for calculation of the production fee, with the addition of transportation costs. For the transportation, Section 4-9, fourth paragraph, shall apply correspondingly. If agreement is not reached on the further terms of delivery, they shall be determined by the Ministry.

Section 4-13

Supplies in the event of war, threat of war etc.

In the event of war, threat of war or other extraordinary crisis, the King may decide that a licensee shall place petroleum at the disposal of Norwegian authorities.

The provisions of Section 4-11, second paragraph, shall apply correspondingly unless the particular situation warrants otherwise. In such a situation, the King shall with binding effect determine the price.

CHAPTER 5

CESSATION OF PETROLEUM ACTIVITIES

Section 5-1

Decommissioning plan

The licensee shall submit a decommissioning plan to the Ministry before a licence according to Section 3-3 or Section 4-3 expires or is surrendered, or the use of a facility is terminated permanently. The plan shall contain proposals for continued production or shutdown of production and disposal of facilities. Such disposal may inter alia constitute further use in the petroleum activities, other uses, complete or part removal or abandonment. The plan shall contain the information and evaluations deemed necessary in order to make a decision according to Section 5-3. The Ministry may require further information and evaluations, alternatively require a new or amended plan.

Unless the Ministry consents to or decides otherwise, the decommissioning plan shall be submitted at the earliest five years, but at the latest two years prior to the time when the use of a facility is expected to be terminated permanently. A corresponding time limit shall apply when a licence granted pursuant to Sections 3-3 and 4-3 expires, provided the licence expires before the use of the facility is expected to be terminated permanently.

The Ministry may waive the requirement to submit a decommissioning plan.

In the event of revocation of a licence, the provisions of this Section shall apply correspondingly to the extent they are suitable.

Section 5-2

Notification of termination of use

The licensee shall notify the Ministry of the time of termination if the use of the facility is expected to terminate permanently before the expiry of the licence.

Section 5-3

Decision relating to disposal

The Ministry shall make a decision relating to disposal and shall stipulate a time limit for implementation of the decision. In the evaluation on which the decision is based, emphasis shall, inter alia, be attached to technical, safety, environmental and economic aspects as well as to consideration for other users of the sea. The Ministry may stipulate specific conditions in connection with the decision.

The licensee and the owner are under obligation to make sure that a decision relating to disposal is carried out, unless otherwise decided by the Ministry. The obligation to carry out the decision relating to disposal is applicable even if this decision is made or is to be implemented after the expiry of the licence.

If the ownership of a facility has been transferred pursuant to Section 10-12, the licensee and the owner are jointly under obligation to make sure that a decision relating to disposal is carried out, unless otherwise decided by the Ministry.

If the decision is to the effect that the facility shall continue to be used in the petroleum activities or for other purposes, the licensee, owner and user are jointly obliged to make sure that future decisions on disposal are carried out, unless otherwise decided by the Ministry.

If a decision relating to disposal is not carried out within the stipulated time limit, the Ministry may take necessary measures on behalf of the licensee or other responsible party, and for their account and risk. Costs of such measures are grounds for enforcement of distraint.

Use of a facility for purposes other than petroleum activities, complete or part removal or abandonment cannot be decided under this Act for a facility onshore or on seabed subject to private property rights.

Section 5-4 Liability

Whoever is under obligation to implement a decision relating to disposal according to Section 5-3 is liable for damage or inconvenience caused wilfully or negligently in connection with disposal of the facility or other implementation of the decision.

If the decision is abandonment, the licensee or owner shall be liable for damage or inconvenience caused wilfully or inadvertently in connection with the abandoned facility, unless otherwise decided by the Ministry.

If there are more than one party liable according to the first or second paragraph, they shall be jointly and severally liable for financial obligations, unless otherwise decided by the Ministry.

In the event of decisions for abandonment, it may be agreed between the licensees and the owners on one side and the State on the other side that future maintenance, responsibility and liability shall be taken over by the State based on an agreed financial compensation.

Section 5-5 Encumbrances

In the event that the State requires removal of a facility, any liens, charges and encumbrances thereon shall lapse. The same applies if the State takes over the facility according to Section 5-6, however, in such cases the rights of use established with the Ministry's consent shall remain in force.

Section 5-6 Takeover by the State

The State has a right to take over the licensee's fixed facility when a licence expires, is surrendered or revoked, or when the use of such facility has been terminated permanently.

The King decides with binding effect if and to what extent compensation shall be paid for the takeover.

In the event of takeover of a facility onshore or on seabed subject to private property rights, compensation shall be paid to the extent this follows from otherwise applicable rules.

If the State has confirmed that it wishes to exercise its right to take over fixed facilities, the takeover shall take effect 6 months after the time when the licence has expired, has lapsed for other reasons, or the use of the facility has been terminated permanently, unless otherwise agreed or decided by the Ministry.

At the State takeover, the facility with appurtenances shall be in such condition as adequate maintenance to ensure functional capability for operation would require. Any dispute regarding this, and, if applicable, regarding the compensation to be paid to the State for lack of maintenance, shall be determined by appraisal.

CHAPTER 6

REGISTRATION AND MORTGAGING

Section 6-1

Registration of licences

The Ministry shall keep a register of all production licences, called the Petroleum Register. The Ministry may by regulations decide that the register shall also comprise licences as mentioned in Section 4-3.

Each licence shall be given a separate sheet in the register. The Ministry shall keep a journal of documents to be registered. The Ministry may issue further regulations on how the journal and the register shall be arranged and kept, on obligation of notification for the licensee in the event of transfer and other alterations in connection with the licence, and other aspects of the procedure for registration. This also includes provisions regarding fees that may be levied.

The rules contained in Act of 7 June 1935 No. 1 relating to Public Registration, Chapters 2 and 3, shall apply correspondingly to the extent that they are suitable and unless otherwise provided by this Act or regulations issued pursuant to the Act.

Section 6-2

Mortgaging of licences

The Ministry may consent to the mortgaging by the licensee of an entire licence, or that the individual licensee mortgages his share of the licence as part of the financing of the activities associated with the licence. In special cases, the Ministry may allow the financing to include activities pursuant to a licence other than the one which is mortgaged.

When consent is granted to mortgaging according to the first paragraph the Ministry may consent to allow forced sale and forced usage according to Act of 26 June 1992 No. 86 relating to enforcement of claims to take place without any change in the terms of the licence.

Mortgaging according to this section will gain legal protection by registration in the Petroleum Register.

Section 6-3

Scope of the mortgage

Mortgaging of the entire licence according to Section 6-2 comprises those rights which at any time follow from the licence as well as the mortgagor's other rights in connection with activities carried out in accordance with the licence.

The mortgage does not comprise rights in relation to facilities registered in another register of mortgages or rights in relation to facilities onshore or on seabed subject to private property rights.

In addition the mortgage does not comprise rights in relation to mobile construction machinery which may be mortgaged according to Section 3-8 of the Mortgage Act or rights in relation to other chattels which may be registered in another register of mortgages. The rules of Section 3-4 and Section 3-7 of the Mortgage Act shall apply correspondingly to the extent they are suitable.

In the event of mortgaging of a participating interest in a licence according to Section 6-2, the mortgage comprises the mortgagor's pro rata share of the total assets at any time linked with the licence as well as the mortgagor's other rights in connection with activities carried out in accordance with the licence.

Section 6-4

The rights of the mortgagee etc.

The Ministry shall give the mortgagee notice in writing of revocation or surrender of a licence or of a participating interest in a licence together with the information that the mortgage will lapse if forced sale is not requested without undue delay. If forced sale is requested in time, a new licence may not be granted to the detriment of the mortgagee's rights.

Mortgage rights as mentioned in the first paragraph may not be transferred or mortgaged without the Ministry's consent. Similarly it cannot without such consent be made subject of distraint, arrest, debt settlement proceedings or be included in the mortgagee's estate in bankruptcy.

CHAPTER 7 LIABILITY FOR POLLUTION DAMAGE

Section 7-1 Definition

Pollution damage means damage or loss caused by pollution as a consequence of effluence or discharge of petroleum from a facility, including a well, and costs of reasonable measures to avert or limit such damage or such loss, as well as damage or loss as a consequence of such measures. Damage or loss incurred by fishermen as a consequence of reduced possibilities for fishing is also included in pollution damage.

Ships used for stationary drilling are regarded as a facility. Ships used for storage of petroleum in conjunction with production facilities are regarded as part of the facility. The same applies to ships for transport of petroleum during the time when loading from the facility takes place.

Section 7-2 Scope and applicable law

The provisions of this chapter are applicable to liability for pollution damage from a facility when such damage occurs in Norway or inside the outer limits of the Norwegian continental shelf or affects a Norwegian vessel, Norwegian hunting or catching equipment or Norwegian facility in adjacent sea areas. With regard to measures to avert or limit pollution damage it is sufficient that damage may occur in such area.

The provisions of this chapter are also applicable to pollution damage from facilities used in petroleum activities according to this Act, when the damage occurs in onshore or offshore territory belonging to a state which has acceded to the Nordic Convention on Environment Protection of 19 February 1974.

The King may, irrespective of the provisions contained in this Act, by agreement with a foreign state issue rules relating to liability for pollution damage caused by petroleum activities pursuant to this Act. Such rules shall, however, not restrict the right to compensation according to this Act in respect of any injured party under Norwegian jurisdiction.

Section 7-3 The liable party and the extent of liability

The licensee is liable for pollution damage without regard to fault. The provisions relating to the liability of licensees apply correspondingly to an operator who is not a licensee when the Ministry has so decided in connection with the approval of operator status.

If there are several licensees under the licence and one of them is the operator, or if the Ministry has made a decision according to the first paragraph, claims for compensation shall initially be directed to the operator. If any part of the compensation is left unpaid on the due date by the operator, this part shall be covered by the licensees in accordance with their participating interest in the licence. If someone fails to cover his share, this shall be allocated proportionately between the others.

If it is demonstrated that an inevitable event of nature, act of war, exercise of public authority or a similar force majeure event has contributed to a considerable degree to the damage or its extent under circumstances which are beyond the control of the liable party, the liability may be reduced to the extent it is reasonable, with particular consideration to the scope of the activity, the situation of the party that has sustained damage and the opportunity for taking out insurance on both sides.

In the event of pollution damage from a facility located in an area outside the Norwegian continental shelf, the party who has approval from the competent authority to conduct the activities to which the facility is connected, is regarded to be a licensee.

Section 7-4 Channelling of liability

The liability of a licensee for pollution damage may only be claimed pursuant to the rules of this Act.

Liability for pollution damage cannot be claimed against:

- a) anyone who by agreement with a licensee or his contractors has performed tasks or work in connection with the petroleum activities.
- b) anyone who has manufactured or delivered equipment to be used in the petroleum activities.
- c) anyone who undertakes measures to avert or limit pollution damage, or to save life or rescue values which have been endangered in connection with the petroleum activities, unless the measures are performed in conflict with prohibitions imposed by public authorities or are performed by someone other than public authorities in spite of express prohibition by the operator or the owner of the values threatened.
- d) anyone employed by a licensee or by someone mentioned under literas a, b or c.

If the licensee has been ordered to pay compensation for pollution damage, but fails to pay within the time limit stipulated by the judgement, the party that has sustained damage may bring action against the party that has caused the damage to the same extent as the licensee may bring action for recourse against the party causing the damage, cf. Section 7-5.

The licensee may claim compensation from the party causing pollution damage to him to the same extent as the licensee may bring action for recourse against the party causing the damage, cf. Section 7-5.

Section 7-5 Recourse

The licensee cannot claim recourse for pollution damage against someone exempted from liability pursuant to the rules of Section 7-4, unless the person in question or someone in his service has acted wilfully or by gross negligence.

Recourse liability may be mitigated to the extent that this is considered reasonable in view of manifested conduct, economic ability and the circumstances in general.

The provisions contained in the Maritime Act of 24 June 1994 No. 39 relating to limitation of liability shall be applicable to the extent recourse is claimed against someone entitled to limitation of liability pursuant to the rules of the Maritime Act.

Any agreement on further recourse in respect of those against whom liability cannot be claimed pursuant to Section 7-4, second paragraph, shall be invalid.

Section 7-6 Petroleum activities without a licence

If pollution damage occurs in a petroleum activity and the activity has been conducted without a licence, the party that has conducted the petroleum activity shall be liable for the damage regardless of fault. The same liability rests on others who have taken part in the petroleum activity and who knew, or should have known, that the activity was conducted without a licence

Section 7-7 Public announcement. Preclusive notice

Unless the Ministry considers it obviously unnecessary, the operator shall without undue delay, by public announcement, provide information regarding the party to whom claims for compensation for pollution damage shall be directed and of the period of limitation.

Announcement shall take place by advertising twice with no less than 1 week's interval in The Norwegian Gazette (Norsk Lysingsblad) and in newspapers and other publications which are generally read in those places where damage is caused, or is presumed to occur.

With the Ministry's consent, possible claimants may be summoned by preclusive notice with the effect that claims which have not been presented within the expiry of the time limit set forth in the preclusive notice will lapse. The Ministry shall in such event, give further rules regarding the notice and the length of the period for the preclusive notice, and may issue rules about the method of settlement.

Section 7-8

Legal venue

Legal action for compensation for pollution damage shall be brought before the courts in the court district where the effluence or discharge of petroleum has taken place or where damage has been caused.

The Ministry decides where the action shall be brought if:

- a) the effluence or discharge has taken place or the damage has been caused outside the area of any court district.
- b) it cannot be demonstrated within which court district the effluence or discharge has taken place or damage has been caused.
- c) the effluence or discharge has taken place in one court district and the damage is caused in another court district.
- d) damage has been caused in more than one court district.

CHAPTER 8

SPECIAL RULES RELATING TO COMPENSATION TO NORWEGIAN FISHERMEN

Section 8-1

Scope of application and definitions

This chapter applies to compensation for financial losses incurred by Norwegian fishermen as a result of the petroleum activities occupying fishing fields or resulting in pollution and waste, or as a result of damage caused by a facility or actions in connection with the placing of a facility.

This chapter does not apply to pollution damage as mentioned in Section 7-1.

The terms pollution and waste in this chapter are defined as pollution and waste as mentioned in Act of 13 March 1981 No. 6 relating to protection against pollution and relating to waste, Section 6, first paragraph subsections 1 and 2, and Section 27, first paragraph, respectively.

Norwegian fishermen are in this chapter defined as persons registered in the registration list of fishermen and owners of vessels listed in the registry of Norwegian fishing vessels subject to registration licences.

The provisions in the remaining chapters of the Act are also applicable to this chapter to the extent they are suitable and are not in conflict with the provisions of this chapter.

Section 8-2

Occupation of a fishing area

In the event of petroleum activities within an area entirely or partly occupying a fishing field, the State is obliged, to the extent that fishing becomes impossible or is substantially impeded, to award compensation in respect of any resulting financial loss.

Compensation may be set entirely or partly as a lump sum or as fixed annual payments. Compensation may normally not be claimed for losses that have occurred more than seven years after the occupation took place.

The State may claim recovery from the licensee if the licensee ought to have averted the loss.

Section 8-3

Pollution and waste

The licensee is liable, regardless of fault, in respect of financial losses incurred as a result of pollution and waste from the petroleum activities, and the cost of reasonable measures to avert or limit such damage or such loss, including damage or loss as a result of such measures.

The liability of the licensee pursuant to the first paragraph also includes damage and inconvenience due to pollution and waste as a result of supply vessel and support vessel traffic, as well as during relocation of

the facility to or from the field concerned. The licensee has the right of recourse against the perpetrator actually causing the loss or the shipowner, providing the other prevailing conditions of liability have been fulfilled.

In order to claim compensation for lost fishing time in connection with locating, marking, retrieval or bringing ashore objects, the objects must be properly marked or brought ashore and presented to the police or port authority or other equivalent public authority, unless absolute obstacles exist. Their location must in any case be reported to the police or port authority.

What is mentioned in the third paragraph also applies to compensation for other losses insofar as such marking, indication of location or bringing ashore can reasonably be required.

Liability for damages also comprises other vessels assisting a fishing vessel in bringing objects ashore.

Section 8-4

Joint and several liability

If damage has been caused as described in Section 8-3 and it is not possible to identify who caused the damage, the licensees shall be jointly and severally liable insofar as the damage may be believed to have been caused by petroleum activities in connection with the licence in question.

Section 8-5

Facility etc. causing damage

If a facility or an action in connection with the placing of such facility causes damage, and the injured party does not have a right to compensation pursuant to the provisions of Section 8-2, the licensee shall, regardless of fault, be liable for damages in respect of the financial losses suffered by fishermen as a result of the damage.

Section 8-6

Commissions etc.

Claims made pursuant to this chapter, shall be dealt with by a commission. The King shall issue regulations relating to the composition of the commission and its procedures, as well as provisions regarding the handling of administrative appeal.

Decisions made by the administrative appeal body may be brought straight before the district court, within two months of the party in question having been notified of the decision by summons.

After expiry of the time limit for lodging a complaint or expiry of the time limit stipulated in the second paragraph, claims upheld by the commission or by the administrative appeal body shall be grounds for enforcement of distraint.

When the deadline in the second paragraph is exceeded, the administrative appeal body may, pursuant to the rules in Section 31 of the Public Administration Act, decide that the district court shall hear the matter. Decisions regarding failure to comply with deadlines may be appealed to the district court.

CHAPTER 9

SPECIAL REQUIREMENTS TO SAFETY

Section 9-1

Safety

The petroleum activities shall be conducted in such manner as to enable a high level of safety to be maintained and further developed in accordance with the technological development.

Section 9-2

Emergency preparedness

The licensee and other participants in the petroleum activities shall at all times maintain efficient emergency preparedness with a view to dealing with accidents and emergencies which may lead to loss of

lives or personal injuries, pollution or major damage to property. The licensee shall see to it that necessary measures are taken to prevent or reduce harmful effects, including the measures required in order, to the extent possible, to return the environment to the condition it had before the accident occurred. The Ministry may issue rules about such emergency preparedness and such measures, and may in this connection order co-operation between several licensees in matters of emergency preparedness.

In the event of accidents and emergencies as mentioned in first paragraph, the Ministry may decide that other parties shall make available necessary contingency resources for the account of a licensee. The Ministry may also for the account of the licensee take measures to obtain the necessary additional resources in other ways.

The rules of Act of 15 December 1950 No. 7 relating to special measures in time of war, threat of war and similar circumstances, Chapter V, relating to compulsory surrender to the public authorities, shall apply correspondingly to the extent they are suitable.

Section 9-3

Emergency preparedness against deliberate attacks

The licensee shall initiate and maintain security measures to contribute to avoiding deliberate attacks against facilities and shall at all times have contingency plans to deal with such attacks.

The licensee shall place facilities at the disposal of public authorities for drills and shall participate in such drills to the extent this is necessary.

The Ministry may order implementation of such measures as referred to in the first and second paragraphs.

Section 9-4

Safety zones etc.

Around and above facilities there shall be a safety zone unless otherwise decided by the Ministry. In the event of accidents and emergencies the Ministry may establish or extend safety zones. The extent of zones referred to in the first and second sentences shall be determined by the King. This provision is not applicable to pipelines and cables.

The King may decide that a safety zone shall extend across the border line onto the continental shelf of another state. Furthermore, the King may decide that there shall be a safety zone on the Norwegian continental shelf even if the facility in question is located outside the Norwegian continental shelf.

The Ministry may decide that a zone corresponding to the safety zone shall be established in reasonable time prior to the placing of facilities as mentioned in first paragraph.

The Ministry may decide that there shall be a safety zone around and above abandoned or dumped facilities, or parts of such facilities.

Unauthorised vessels, hovercrafts, aircrafts, fishing gear or other objects must not be present in zones as mentioned in the first, second, third and fourth paragraphs. If fishing can take place in the zone or in parts of the zone without threatening safety or interfering with the exercise of the petroleum activities, the Ministry may nevertheless decide that such fishing can take place.

The Ministry may issue such regulations as are considered necessary to secure access for facilities as mentioned in the first paragraph to zones as mentioned in the third paragraph.

This section is not applicable to facilities onshore or on seabed subject to private property rights.

Section 9-5

Suspension of the petroleum activities etc.

In the event of accidents and emergencies as mentioned in Section 9-2, the licensee or anyone else responsible for the operation and use of the facility shall, to the extent necessary, suspend the petroleum activities for as long as the requirement to prudent operations warrants such suspension.

When special reasons exist, the Ministry may order the petroleum activities to be suspended to the extent necessary, or impose particular conditions to allow continuation of the activities.

When a decision as mentioned in the second paragraph is based on circumstances not caused by the

licensee, the Ministry may, upon application, extend the period of time for which the licence applies and, to a reasonable extent, mitigate the obligations resting on the licensee.

Section 9-6

Requirements to safety documentation

If the licensee decides to prepare plans with a view to approval or licence according to Sections 4-2 or 4-3, such plans and the licensee's documentation for implementation of this work shall be submitted to the Ministry as a part of the regulatory safety supervision.

Section 9-7

Qualifications

The licensee and other persons engaged in petroleum activities shall possess the necessary qualifications to perform the work in a prudent manner. Training shall be given to the extent necessary.

In addition the licensee shall see to it that anyone carrying out work for him complies with the provisions contained in the first paragraph.

CHAPTER 10 GENERAL PROVISIONS

Section 10-1

Requirements to prudent petroleum activities

Petroleum activities according to this Act shall be conducted in a prudent manner and in accordance with applicable legislation for such petroleum activities. The petroleum activities shall take due account of the safety of personnel, the environment and of the financial values which the facilities and vessels represent, including also operational availability.

The petroleum activities must not unnecessarily or to an unreasonable extent impede or obstruct shipping, fishing, aviation or other activities, or cause damage or threat of damage to pipelines, cables or other subsea facilities. All reasonable precautions shall be taken to prevent damage to animal life and vegetation in the sea, relics of the past on the sea bed and to prevent pollution and littering of the seabed, its subsoil, the sea, the atmosphere or onshore.

Section 10-2

Management of the petroleum activities, bases etc.

The licensee shall, unless otherwise decided by the Ministry, have an organisation which is capable of managing independently the petroleum activities from Norway. To achieve this, the Ministry may stipulate specific requirements in respect of the organisation and the capital of the company.

The licensee shall see to it that the circumstances permit trade union activities to take place among his own employees and the personnel of contractors and sub-contractors in accordance with Norwegian practice.

The petroleum activities shall be conducted from a base in Norway. The licensee may be ordered to use bases designated by the Ministry.

Section 10-3

Regulatory supervision of the petroleum activities

The Ministry carries out regulatory supervision to see that the provisions laid down in or pursuant to this Act are complied with by all who carry out petroleum activities comprised by the Act. The Ministry may issue such orders as are necessary for the implementation of the provisions laid down in or pursuant to this Act.

The Ministry may, when it is considered necessary, order a vessel or a mobile facility or part of a facility to be brought to a Norwegian port or to another place.

Expenses related to the regulatory supervision may be required to be covered by the licensee or by the party which the supervision in each case is directed at or where it takes place.

Section 10-4

Material and information concerning the petroleum activities

Material and information which the licensee, operator, contractor etc. possesses or prepares in connection with planning and implementation of petroleum activities pursuant to this Act shall be available in Norway and may be required to be submitted free of charge to the Ministry or to anyone designated by the Ministry. Such material and information shall be submitted in a format decided by the Ministry to the extent this is deemed reasonable. In this connection, the Ministry may also require analyses and studies to be carried out. When a production licence is surrendered, the operator takes over the responsibility for material and information relating to the surrendered production licence according to this provision.

The King shall issue more specific rules relating to what material shall be available to the authorities and what material may be required to be submitted, as well as what information shall be given to public authorities prior to the commencement of the petroleum activities and after they have been started.

Information which has been provided to the authorities may, in accordance with further provisions issued by the Ministry, be used for the preparation of overview maps and for statistical purposes, among others by the Central Bureau of Statistics of Norway.

Section 10-5

Agreements between affiliated companies

The Ministry may, when particular reasons so warrant, consent to the licensee entering into an agreement, which authorises a parent company or a company with which the licensee is affiliated in a similar manner, to undertake the activities on behalf of the licensee.

It shall be set as a condition for the abovementioned consent that the arrangement will not result in less tax revenues to Norway.

Section 10-6

Obligation to comply with the Act and to see to it that provisions are complied with

The licensee and other persons engaged in petroleum activities comprised by this Act are obliged to comply with the Act, regulations and individual administrative decisions issued by virtue of the Act through the implementation of necessary systematic measures.

In addition the licensee shall see to it that anyone performing work for him, either personally, through employees or through contractors or subcontractors, shall comply with the provisions laid down in or pursuant to the Act.

Section 10-7

Security

Upon granting a licence and subsequently, the Ministry may decide that the licensee shall provide such security as approved by the Ministry for fulfillment of the obligations, which the licensee has undertaken, as well as for possible liability in connection with the petroleum activities.

This shall apply correspondingly to any other responsible party according to Chapter 5.

Section 10-8

Responsibility for commitments

Licensees who jointly hold a licence are jointly and severally responsible to the state for financial obligations arising out of petroleum activities pursuant to the licence.

Section 10-9

Liability for damage caused

If liability in respect of a third party is incurred by anyone undertaking tasks for a licensee, the licensee

shall be liable for damages to the same extent as, and jointly and severally with, the perpetrator and, if applicable, his employer.

Liability for pollution damage is governed by the rules of Chapter 7.

Section 10-10

Commission of inquiry

If a serious accident has occurred in connection with petroleum activities comprised by this Act, the Ministry may appoint a special commission of inquiry. The same applies to incidents in the activities which have led to serious danger of loss of life or major damage to property or pollution of the marine environment. The members of the commission shall represent sufficient legal, nautical and technical expertise. The chairman shall satisfy the criteria for being a judge of the supreme court.

The commission of inquiry may require the licensee and other parties involved in the accident or incident to provide the commission with information which may be relevant to the investigation, and that they shall make available documents, facilities and other objects at a place where it is suitable for the investigation to take place.

The licensee may be required to cover the costs in connection with the work of the commission of inquiry.

The rules of the Maritime Act regarding an investigation of maritime accidents and regulations laid down pursuant to the Maritime Act Chapter 18 II shall apply correspondingly, as appropriate.

Section 10-11

Training

The King may issue rules relating to the licensees' obligation to undertake training of civil servants.

Section 10-12

Transfer etc.

Transfer of a licence or participating interest in a licence for petroleum activities may not take place without the approval of the Ministry. The same applies to other direct or indirect transfer of interest or participation in the licence, including, inter alia, assignment of shareholdings and other ownership shares which may provide decisive control of a licensee possessing a participating interest in a licence.

Transfer of a group of licensees' right of ownership to fixed facilities may not take place without the approval of the Ministry. The same applies to establishing a mortgage in a facility which in accordance with a licence under this Act has been placed onshore or on seabed subject to private property rights.

The Ministry may in special cases decide that a fee shall be paid for the transfer.

Section 10-13

Revocation

In the event of serious or repeated violations of this Act, regulations issued pursuant hereto, stipulated conditions or orders issued, the King may revoke a licence granted pursuant to this Act.

If an application for a licence contains incorrect information, or if information of significance has been withheld, and it must be assumed that the licence would not have been granted had correct or complete information been available, the licence may be revoked in relation to the licensee concerned.

A licence may be revoked if the security which the licensee is obliged to provide pursuant to Section 10-7 has become significantly weakened, or if the company or other association holding the licence is dissolved or enters into debt settlement proceedings or bankruptcy proceedings.

Section 10-14

Consequences of revocation, surrender of rights or lapse for other reasons

Revocation of a licence, surrender of rights or lapse of rights for other reasons do not entail release from the financial obligations which follow from this Act, regulations issued pursuant hereto or specific conditions. If a work obligation or other obligation has not been fulfilled, the Ministry may demand

payment, in full or in part, of the amount which fulfillment of the obligation would have cost. The amount shall be stipulated by the Ministry with binding effect.

Section 10-15

Immunity etc. for civil servants of other states

The King may, notwithstanding of Norwegian law, grant to civil servants of other states immunity and special privileges in connection with measures to prevent and take action against illegal acts representing a safety threat to the petroleum activities.

Section 10-16

Enforcement measures

With regard to orders issued in or pursuant to this Act, the authority which has issued the order may stipulate a current fine for each day that passes after expiry of the time limit set for implementation of the order, until it has been complied with. Notice of a fine shall be given by registered letter or by another equally reliable method. An order to pay a fine is regarded as grounds for enforcement of distraint.

The King may waive an imposed fine when this is considered reasonable.

In the event of serious or repeated violations of acts and regulations, stipulated conditions or orders issued, the Ministry may impose a temporary suspension of the activities.

The Ministry may initiate necessary measures for the account and risk of the licensee if orders are not complied with. The costs of such measures are grounds for enforcement of distraint.

A vessel or aircraft which violates provisions or orders issued in or pursuant to this Act may be instructed, expelled or seized and brought to a Norwegian port.

Section 10-17

Penal provisions

Wilful or negligent violation of provisions or decisions issued in or pursuant to this Act shall be punishable by fines or imprisonment for up to 3 months. In particularly aggravating circumstances, imprisonment for up to 2 years may be imposed. Complicity is punishable in the same way. These provisions shall not apply if the violation is subject to a more severe penalty under any other statutory provision.

Section 10-18

Authority to issue regulations and stipulate conditions

The King may issue regulations to supplement and implement this Act, including, inter alia, provisions relating to working conditions, confidentiality and relating to the licensee's obligation to make information on the activities pursuant to the Act available to the public. The King may also issue regulations relating to duty to provide information for the fulfillment of Norway's obligations pursuant to the EEA agreement.

In connection with individual administrative decisions, other conditions than those mentioned in this Act may be stipulated, when they are naturally linked with the measures or the activities to which the individual administrative decision relates.

CHAPTER 11

MANAGEMENT OF THE STATE DIRECT FINANCIAL INTEREST

Section 11-1

The State's participation in petroleum activities

The State participates in petroleum activities under this Act in that the State reserves a specified share of a

licence granted pursuant to this Act and in the joint venture established by a joint operating agreement in accordance with the licence.

The King may decide that the State shall participate in activities under this Act otherwise than mentioned in the first paragraph, and that the State shall participate in other activities connected with activities under this Act. In such case the provisions contained in this chapter shall apply accordingly to the extent they are suitable, unless otherwise specifically decided by the King.

Section 11-2

Management company

The commercial aspects in relation to the participating interests which the State owns or reserves for itself, shall be managed by a limited company owned by the State as sole owner.

The company shall be a licensee in respect of the participating interests it manages on behalf of the State. In the individual joint venture the company shall have rights and duties as a participant in accordance with the joint operating agreement and shall otherwise have rights and duties as a licensee according to rules stipulated in or pursuant to this Act with appurtenant regulations.

The revenues resulting from the management of the participating interests shall belong to the State. The operating expenses, investments and other expenditure incurred to or relating to the management of the participating interests, shall be covered by appropriation from the State. The company shall keep separate accounts in respect of revenues and expenses relating to the participating interests.

Funds for the operation of the company shall be provided by the State.

Section 11-3

The State's responsibility for the company

The State is directly liable for any obligations incurred by the company by contract or otherwise. Claims against the State shall be made to the company.

Bankruptcy and debt settlement proceedings according to Act of 8 June 1984 No.58 relating to debt settlement proceedings and bankruptcy (The Bankruptcy Act) cannot be instituted against the company.

Section 11-4

Raising of loans etc.

The company cannot raise loans or provide security without the consent of the Storting (Parliament).

Section 11-5

The relationship to company law

The company is subject to the Act of 13 June 1997 No. 44 relating to limited companies (the Companies Act), including the provisions on State limited companies, unless otherwise ensues from this Act.

Section 11-6

Duties of the Board of Directors

The Board of Directors shall see to it that the participating interests are subject to sound management in accordance with commercially sound principles and allocated funds and authorisations issued to the company and the activities it manages. The Board of Directors shall also consider the composition of the portfolio of participating interests and shall, as appropriate, put forward a proposal of possible changes to the General Assembly.

The Board of Directors may engage managers to execute management tasks of the individual joint venture. The Board of Directors may also engage particular managers for limited business areas. The Board of Directors shall see to it that the execution of the tasks assigned to managers, is supervised in a satisfactory manner.

Section 11-7

Duty of submission of the Board of Directors

The Board of Directors shall submit the following matters to the General Assembly:

- a) plans for the coming year, as well as outlook for the intermediate term and significant changes in any of these;
- b) plans regarding projects of major significance to the State's participation in activities according to this Act;
- c) main features of the budget for the coming year;
- d) principles relating to engagement of managers;
- e) annual report and annual accounts in respect of the participating interests of the State as mentioned in Section 11-8.

The Board of Directors shall in addition submit to the General Assembly all matters that must be assumed to comprise principal or political aspects of significance or that may entail significant socio-economic or social effects.

If the management committee of a joint venture is to make a decision in a matter governed by special voting rules with the right for the company to cast its vote based on a decision by the General Assembly, the Board of Directors shall submit the matter to the General Assembly before the company casts its vote in the matter. If the management committee has made a decision that will constitute a violation of conditions and requirements specified in the licence as regards the State's production policy or the State's financial interests, the Board of Directors shall submit the matter to the General Assembly.

The Board of Directors shall inform the Ministry of matters which are to be submitted to the General Assembly according to first to third paragraph, and shall demand that this Assembly be called. The General Assembly shall decide whether the submission of the Board of Directors according to this Section shall be duly noted, approved or amended.

The Board of Directors may make a decision in matters comprised by this Section if it has not been possible to submit the matter to the General Assembly in advance. The General Assembly shall be notified of such decision immediately.

Section 11-8

Annual report and annual accounts

The Board of Directors shall render accounts for revenues and expenditure in respect of the State's participating interests. The Board of Directors shall also submit an annual report containing an overview of the participating interests managed by the company, including a resource account.

Section 11-9

The relationship to provisions of the Public Administration Act etc.

The Act of 10 February 1967 pertaining to procedures relating to public administration (the Public Administration Act) and the Act of 19 June 1970 No. 69 relating to public information (the Public Information Act) shall not apply to the company.

Section 11-10

Instructions. Supplementary provisions

The Ministry may issue instructions in respect of the company's execution of its management task under to this Act, including the stipulation of rules relating to the duty of secrecy of elected representatives and employees.

The King may by individual administrative decisions or regulations stipulate provisions relating to implementation of, or as supplement to or delimitation of, the provisions of this chapter.

CHAPTER 12

ENTRY INTO FORCE AND AMENDMENT OF LAWS

Section 12-1
Entry into force etc.

This Act enters into force as from the time decided by the King. The King may decide that individual provisions contained in the Act shall enter into force at different times.

Section 3-9, first, second and third paragraphs do not apply to production licences granted pursuant to Royal Decree of 9 April 1965 relating to exploration for and exploitation of submarine petroleum resources (the 1965 Decree). Such production licences are valid for up to 46 years from the time when the licence was granted.

Section 4-5 does not apply to production licences granted prior to 1 July 1985.

The Ministry may exempt from the provisions of Section 4-9, second paragraph, relating to the shipment point of the production area in respect of production licences issued pursuant to Royal Decree of 9 April 1965 relating to exploration for and exploitation of submarine petroleum resources (the 1965 Decree).

Regulations issued pursuant to previous Act of 21 June 1963 No.12 relating to scientific research and exploration for and exploitation of subsea natural resources other than petroleum resources, or Act of 22 March 1985 No. 11 relating to petroleum activities, or by virtue of regulations issued pursuant to the said Acts, shall apply insofar as no other provision has been or will be made applicable.

Section 12-2
Repeal and amendment of acts

Act of 22 March 1985 No. 11 relating to petroleum activities shall be repealed as from the time of entry into force of this Act.

As from the same time, the belowmentioned Acts shall be amended as follows:

1. Act of 21 June 1985 No. 83 relating to general partnerships etc. (the Companies Act), Section 1-1 (4) second sentence, shall read as follows:

Similarly it shall not be applicable to co-operation agreements in connection with licence granted pursuant to Act of 29 November 1996 No. 72 relating to petroleum activities, Section 4-3, and co-operation agreements by virtue of Section 3-3 fourth paragraph and Section 4-7, cf. Section 4-3 of the Act, and corresponding agreements entered into prior to the entry into force of the Petroleum Act.
2. Act of 21 June 1963 No.12 relating to scientific research and exploration for and exploitation of subsea natural resources other than petroleum resources, Section 1 first paragraph, shall read as follows:

This Act applies to scientific research of the seabed and its substrata and exploration for and exploitation of subsea natural resources other than petroleum resources in Norwegian internal waters, in Norwegian territorial sea and on the continental shelf. By continental shelf shall be understood the sea bed and subsoil of the submarine areas that extend beyond the Norwegian territorial sea throughout the natural prolongation of its land territory to the outer edge of the continental margin, but no less than 200 nautical miles from the base lines from which the territorial sea has been measured, nevertheless not beyond the median line in relation to other states.