

Petroleum Act 1998

DEED OF VARIATION

**THE SECRETARY OF STATE FOR
ENERGY AND CLIMATE CHANGE**

and

ISLAND GAS LIMITED

INEOS UPSTREAM LIMITED

This Deed of Variation dated the^{28th}..... day of^{JUNE}..... 2016 is made between the Secretary of State for Energy and Climate Change (referred to as "the Minister"), on behalf of Her Majesty, of the one part, and the companies listed in Appendix 1 (together referred to as the "Licensee") of the other part, supplemental to the licence described in Appendix 2 (referred to as "the Licence").

INTRODUCTION:

- 1) Those persons making up the Licensee are together the current holder of the Licence;
- 2) The Minister has agreed with the Licensee that the Licence should be varied as follows.

THIS DEED WITNESSES THAT:

The Licence shall be construed and have effect as if—

- a) Subject to paragraphs b) and c) below, the clauses incorporated as Part 1 of the Licence, save for clause 2, were clause 1 and clauses 3 to 44 of the model clauses for petroleum exploration and development licences set out at Schedule 2 to the Petroleum Licensing (Exploration and Production) (Landward Areas) Regulations 2014 (2014 No. 1686) (referred to as "the 2014 Model Clauses");
- b) The following paragraph is inserted into clause 19 of the Licence after paragraph (1):
 - “(1A) The Licensee may also-
 - (a) define one or more geographical locations, within which the Relevant Works take place, which are to be "Development Areas";
 - (b) if production has not yet started, state the latest date by which the Licensee will get petroleum within each Development Area; and
 - (c) where the Licensee intends to carry out source-rock production, include a Development Area Plan in respect of each Development Area, setting out the activities that the Licensee intends to carry out in the Development Area in order to get Petroleum and the timescales over which those activities are to be carried out.
 - (1B) Any matters carried out under paragraph (1A) above shall be treated, for the purposes of the remainder of this Licence, including paragraphs (2) – (7) of this clause, as if they were carried out under their equivalent provision in paragraph (1).”
- c) No matters carried out under paragraph b) more than 6 months after the date of execution of this Deed will have any effect.
- d) Schedule 2 to the Licence was replaced by the Schedule set out in Appendix 3 hereto;
- e) Schedule 1 continues to apply to the clauses as amended, subject to any surrenders of acreage that the Licensee may have performed pursuant to Clause 7 before the date of this deed;
- f) Schedules 3 and 4 continue to apply to the clauses as amended;
- g) Appendix 4 hereto was appended to the Licence as Schedule 5; and

- h) any approval or consent granted, any notice served, or any act performed, pursuant to the Licence shall be treated as though it had been granted, served or performed under the 2014 Model Clauses as incorporated herein.

Execution page

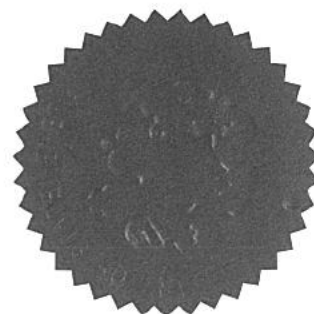
In witness of which the variation to the Licence on this and the preceding pages is **EXECUTED AS A DEED**, and delivered on the date of this Deed of Variation, as follows:—

By THE SECRETARY OF STATE FOR ENERGY AND CLIMATE CHANGE

whose Corporate Seal hereunto affixed is authenticated by:

SIMON TUCK.....(full name).(signature)

an official in the Oil and Gas Authority, authorised by the Secretary of State.



By Island Gas Limited signed¹ on its behalf by:

STEVEN DAVID BOWLER.....(full name)(signature), (Director)

full name).(signature), (Director/Secretary/Witness)²

By Ineos Upstream Limited signed¹ on its behalf by:

ANNE MARY PEARSON.....(full name).....(signature), (Director)

full name).... ... (signature), (Director/Secretary/Witness)²

¹ If two officers of a company sign on its behalf, they may be either two directors or a director and the company secretary. If only one officer so signs, that person must be a director of the company and must sign in the presence of a witness.

² Delete as appropriate.

APPENDIX 1

Licensee

Name	Registered Number	Address
Island Gas Limited	04962079	7, Down Street, London, W1J 7AJ
Ineos Upstream Limited	09121775	Hawkslease, Chapel Lane, Lyndhurst, Hampshire, SO43 7FG

APPENDIX 2**Description of the Licence**

The Licence to search and bore for and get petroleum in Blocks SJ68, SJ69e AND SJ79 made the eighth day of October 2008 between the Secretary of State for Business, Enterprise and Regulatory Reform, on behalf of Her Majesty, of the one part and the companies listed below of the other part as the initial licensee.

Name	Registered number
Island Gas Limited	04962079
Nexen Exploration U.K. Limited	04323945

APPENDIX 3**Schedule 2 to the Licence****CLAUSE 12****Consideration for Licence**

Periodic
minimum
payments

- (1) On the date on which the Initial Term begins ("the said date") or upon the grant of this Licence, whichever is the later, and on subsequent anniversaries of the said date during the term of the Licence, the Licensee shall pay the Minister sums (in this Schedule referred to as "periodic payments") calculated as follows:
- | | |
|-----|--|
| (a) | on the said date, £25 multiplied by the area factor; |
| (b) | on the 1st anniversary of the said date, £25 multiplied by the area factor; |
| (c) | " 2nd " £25 " |
| (d) | " 3rd " £25 " |
| (e) | " 4th " £25 " |
| (f) | " 5th " £25 " |
| (g) | " 6th " £50 " |
| (h) | " 7th " £100 " |
| (i) | " 8th " £150 " |
| (j) | " 9th " £200 " |
| (k) | " 10th " £250 " |
| (l) | " 11th " £300 " |
| (m) | " 12th " £400 " |
| (n) | " 13th " £500 " |
| (o) | " 14th " £600 " |
| (p) | " 15th " £700 " |
| (q) | " 16th " £800 " |
| (r) | " 17th " £900 " |
| (s) | " 18th " £1,000 " |
| (t) | " 19th " £1,100 " |
| (u) | on the 20th and every subsequent anniversary of the said date, £1,200 multiplied by the area factor. |
- (2) During the Licence's Production Period, for that part of the Licensed Area that is comprised either within a Retention Area or a Development Area at the date when an Annual Rental falls due, the Annual Rental shall be calculated at a rate either (a) of £100 or (b) the rate specified at paragraph (1) above, whichever is the lower; multiplied by the area factor.
- (3) The periodic payments specified falling due after the sixth anniversary shall be subject to variation in accordance with the following provisions:
- (a) subject to sub-paragraph (d) below, the periodic payments shall be increased or reduced at two-yearly intervals in line with movements in the Index of the Price of Crude Oil acquired by Refineries (published in the Digest of UK Energy Statistics) if the Minister so determines. The Minister shall give notice of any such determination ("biennial determination") not less than one month preceding the date on which such payment falls due, and shall specify in the notice the increase or reduction in the amount payable. Movements in the Index shall be calculated by reference to a comparison between the arithmetic mean of the Index levels for the two latest calendar years for which figures are available at the time when the determination is made, and the arithmetic mean of the Index levels for 2003 and 2004. In the event that the Index of the Price of Crude Oil acquired by Refineries ceases to be published, the Minister may substitute arrangements for redetermination of periodic payments having substantially similar effect to those set out above based on such other comparable Index as he may determine;
- (b) The increase or reduction specified in a biennial determination shall be payable or take effect on the anniversary of the date of commencement of this Licence next following the date of the relevant determination.

- (c) No biennial determination shall have effect so as to reduce the periodic payments below the levels set out in sub-paragraph (1) above.
 - (d) The Minister shall not make a biennial determination increasing or reducing the amounts payable where that increase or reduction would be 5% or less of the levels set following the previous biennial determination.
- (4) In this Schedule "the area factor" means the number of square kilometres comprised in the Licensed Area at the date upon which the periodic payment in question becomes due.

APPENDIX 4

Schedule 5 to the Licence

Timing provisions

The **Start Date** is First July 2008.

The **Initial Term** is the period of eight years beginning with the Start Date.

The **Second Term** is the period of three years beginning with the day after the Initial Term ends.

The **Production Period** is the period of twenty years beginning with the day after the Second Term ends.