GUIDE
TO APPLICATION PROCEDURES

SECOND LICENSING ROUND ON THE ICELANDIC CONTINENTAL SHELF

LICENCES FOR EXPLORATION AND PRODUCTION OF HYDROCARBONS
On 1 March 2010 the Government of Iceland approved the proposal by the Minister of Industry, Energy and Tourism, Katrín Júlíusdóttir, to offer exclusive licences for exploration and production of oil and gas on the Icelandic continental shelf, in the Dreki Area (the Atlantic, northeast of Iceland, on the Jan Mayen Ridge, between Iceland and the island of Jan Mayen).

Seismic surveys and other geophysical measurements indicate that producible quantities of oil and gas could be found in the Dreki Area, as adjacent and geologically similar areas have been proven to contain oil and gas resources. Recent strides in drilling and production technology along with other nations’ experience with oil and gas production at great ocean depths and in northerly regions have made searching for these resources in the Dreki Area possible. Further research, including exploratory drilling, is necessary to verify whether oil and gas exist in the Dreki Area. The Government’s approval is based on the findings of a detailed strategic environmental assessment report on the matter.

The Government has created a legal framework, which has been revised prior to the current licensing round, that is intended to ensure that the search for and utilization of oil and gas resources found in Icelandic territory, is effected in the greatest possible harmony with the environment and society, and at the same time that the participation of international oil companies is made attractive by ensuring competitive conditions. There is no assurance that producible quantities of oil and gas will be found in the Dreki Area, but it is clear that considerable oil and gas discoveries could have vigorous impact on Iceland’s economy. The gross domestic product could increase considerably when construction and production are at their peak, and the State Treasury’s revenues would similarly increase.

Eventual holders of exploration and production licences will be obligated to comply with requirements on security and work safety as well as on environmental protection and energy resources management. Use of the best available technology will be demanded to reduce the environmental impact and risk of accidents and mishaps.

Research on the marine biosphere, climate and sea conditions in the Dreki Area, based on the requirements of a comprehensive Strategic Environmental Assessment, has been concluded.

The Government’s plan for the second round entails granting exclusive licences for exploration and production of oil and gas in the northern part of the Dreki Area, which covers about 42,700 km². An international agreement of 1981 between Iceland and Norway on the continental shelf between Iceland and Jan Mayen applies to part of the area, and this part covers 12,720 km² or almost 30% of the area. Minutes regarding Art. 5 and 6 of this agreement were agreed upon in 2008. Another international agreement of 2008 between Iceland and Norway covers unitization across continental shelf boundaries.

Licences will be granted on the basis of the information contained in the applications. No applicant is entitled to receive information about other applications submitted or their contents. The contracting authority, the National Energy Authority of Iceland, may decide not to grant any licences for exploration and production on the basis of the applications received.
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1 INFORMATION AND BACKGROUND

1.1 INTRODUCTION

The National Energy Authority of Iceland (NEA) announced, with its notice published in the EFTA Publication Unit on 29 September 2011 for the Official Journal of the European Community and the Icelandic Legal Gazette on 3 October 2011, an invitation to apply for hydrocarbon exploration and production licences on the Icelandic continental shelf. The invitation and application procedure will be subject to and implemented in accordance with Act No. 13 of 13 March 2001 on Prospection, Exploration and Production of Hydrocarbons (the Hydrocarbons Act), with later amendments, and the accompanying Regulation No. 884/2011 (the Hydrocarbons Regulation).

In addition to the abovementioned Hydrocarbons Act and regulations, the Agreement of 22 October 1981 between Norway and Iceland on the Continental Shelf Between Iceland and Jan Mayen, the Agreement between Norway and Iceland concerning transboundary hydrocarbon deposits of 3 November 2008 and the Agreed Minutes of the same date concerning the Right of Participation pursuant to Art. 5 and 6 of the Agreement from 1981, apply to the relevant parts of the area offered for the licensing.

The area of the continental shelf to be offered for licensing is in the north easternmost region of the Icelandic economic zone, on the Jan Mayen Ridge, between Iceland and the island of Jan Mayen, called the Dreki Area, as further defined herein, as well as in the Licence documents.

The blocks on offer in the licensing round are located in the northern part of the Dreki Area, which is northeast of Iceland, from 67°00'N to 68°30' and 11°30'W to 6°20'W. The area on offer covers 42,700 sq. km, and the water depth in 80% of the area is between 1,000 and 2,000 m. The detailed segregation of the Dreki Area into blocks is indicated in Schedule B to this Guide.

NEA co-ordinates the invitation.

Applications will be received during the period ending at 16:00 GMT on Wednesday, 2 April 2012. Applications are to be submitted to NEA, cf. Section 2.11 below.

The application procedure described herein, as well as the exploration and production activities conducted on the basis of awarded exploration and production licences, are referred to herein as "the Project".

1.2 THE NATIONAL ENERGY AUTHORITY

Orkustofnun, NEA, was formally established in July 1967 and works under the auspices of the Ministry of Industry, Energy and Tourism according to the Act on Orkustofnun No. 87/2003 and the accompanying Regulation on Orkustofnun No. 308/2004.

The responsibilities of NEA are among other things to conduct research on energy issues, accumulate information, and maintain a database of knowledge on energy resources, as well as collect data on various natural and environmental processes. NEA has also the obligation to disseminate knowledge on the exploration and exploitation of geothermal resources to developing nations, execute administrative functions on behalf of the Icelandic government, and serve as a governmental advisor on energy issues.

According to the Act on Prospecting, Exploration and Production of Hydrocarbons No. 13/2001, with later amendments, NEA grants licences and makes other official decisions according to this Act. The Minister may revoke the decisions of NEA, following an appeal by the parties concerned.
Director General of NEA is Prof. Gudni A. Jóhannesson, PhD.

1.3 **APPEALS**

Decisions on granting, revisions and withdrawals of licences based on the Hydrocarbons Act can be appealed by the parties concerned to the Committee on Environmental and Resource Matters. Other administrative decisions may be appealed to the Minister.
2 DESCRIPTION OF THE APPLICATION PROCEDURE

2.1 TIMEFRAME

The starting date of the Second Licensing Round is 3 October 2011. Closing date of the Licensing Round is 2 April 2012 at 16:00 GMT.

All documentation pertaining to the Licensing Round, including this document, will become available on the website of NEA (www.nea.is) on the starting date.

The names of the applicants will be announced on the website of NEA after the round closes on 2 April 2012.

Selection of applicants is planned to be finalised no later than the end of November 2012, with the exploration and production licences being awarded promptly following the selection of successful applicants.

2.2 CONTENT OF APPLICATIONS

Any Application shall include the following information, in the following order:

- a) Name and address of the applicant, as well as of the person who will serve as liaison in Iceland towards NEA and other Icelandic authorities in connection with the handling of the application. In case of several applicants submitting a joint application, the participating interest of the individual applicant shall be stated in the application. Furthermore, the intended operator shall be stated in the application.

- b) The application area defined by geographical coordinates of whole minutes of latitude and longitude, and with reference to block numbers as specified in Schedule B.

- c) Proposal for a work programme, as further described by the Hydrocarbons Act and the Hydrocarbons Regulation and Appendix 3 of the Model Licence (content, extent and time schedule for the exploration activities), by which the applicant intends to undertake the exploration activities, with a view to thoroughly investigate the prospects of oil and gas production in the application area to be covered by the licence, as well as a proposal for the timing of such activities.

- d) Proposal on how the applicant will organize the control and supervision of all aspects of its exploration and production activities in Iceland.

- e) The proposed operator is requested to give additional information regarding his experience as an operator: A list of oil or gas fields worldwide which have been or are currently being operated. For each of the fields a review of the measures the company has taken to optimise recovery and a brief explanation of how these fields have performed against original expectation. Companies with no previous operator experience should explain the reasons why they are seeking an operatorship at this time.

- f) Appendix 1 shall contain a summary of the application, please refer to guidelines in Appendix 1.

- g) Appendix 2 shall contain a geological evaluation of the area covered by the application, please refer to guidelines in Appendix 2.

- h) Appendix 3 shall contain information on company related matters such as corporate structure, shareholdings etc., information on financial matters of the applicant or applicants, supported by documentation such as annual accounts or other financial information, please refer to guidelines in Appendix 3.

- i) Appendix 4 shall contain information on the applicant’s expertise and technical competence, as well as research and development activities, in relation to offshore exploration and production of hydrocarbons. Furthermore, Appendix 4 shall contain
information on the applicant’s expertise and experience regarding the effective management of health, safety, security and the environmental matters (HSSE) in relation to offshore exploration and production activities. Please refer to guidelines in Appendix 4. NEA may at any time require additional information from the applicant.

j) Appendix 5 shall contain information and proposals for the use of facilities for the purposes of conducting exploratory activities as well as for the purposes of production of hydrocarbon.

The information contained in the application and its appendices will be kept confidential, cf. Section 19 of the Model Licence.

The application shall be submitted in 2 printed copies. In addition 2 electronic copies of the application shall be submitted on a compact disk. The electronic copy shall be in pdf format. The compact disks and the cases shall be sufficiently labelled. In the case that the application area lies within or intersects the area defined in the Agreement between Iceland and Norway on the continental shelf in the area between Iceland and Jan Mayen of 22 October 1981, one additional printed copy and one additional electronic copy of the application shall be submitted.

Applicants may contact NEA to receive further information regarding the Licence documents.

The above mentioned information is also available on the website of NEA on the following web address: http://www.nea.is/2nd-licensing-round.

2.3 JOINT APPLICANTS/LICENCEES

Where a licence is granted to several parties jointly it is subject to the condition that a joint operating agreement is signed upon the signature of the licence. A standard agreement is provided as a part of the documentation for the Round.

2.4 APPLICATION FEES

The following fees will be charged in connection with the processing and issuing the licence for exploration and production:

- A fee of ISK 150,000 is to be paid to NEA upon submission of the application.
- Upon the issuance of the licence, an additional fee of ISK 850,000 is to be paid, cf. Art. 30 a. of the Hydrocarbons Act, Art. 37 of the Hydrocarbons Regulation and Section 11 of the Model Licence.
- Furthermore, upon the issuance of the licence, the initial contribution to the Hydrocarbon Research Fund is to be paid, cf. Art. 10 of the Hydrocarbons Act and Art. 4 of Regulation No. 39/2009 on the Hydrocarbon Research Fund.
- Should the Licence be extended for the purposes of production, the Licencsee shall pay a fee of ISK 1,350,000 for each such extension.
- The Licencsee shall pay an annual fee cf. Art. 30 a. (5) of the Hydrocarbons Act and Art. 37 of the Hydrocarbons Regulation.
- The Licencsee shall pay an annual area fee cf. Art. 8 (7) of the Hydrocarbons Act and Art. 38 of the Hydrocarbons Regulation.
Application fees and licence fees shall be paid to NEA on either of the following current accounts. Payment shall be made either in ISK or in USD according to the exchange rate of the day of payment.

Nýi Landsbanki Íslands (NBI)
Account No.: 0130 – 15 – 391567 (for payments in ISK)
ID no.: 500269–5379
IBAN No.: IS630130381800545002695379 (for payments in USD)
Swift code: NBHIISRE

The payment should be marked “Second Licensing Round”. A copy of the receipt for said payment shall be attached to the application.

Application fees and licence fees are non-refundable.

2.5 WITHDRAWAL OF APPLICATIONS

An applicant may withdraw his application prior to opening, provided this is done in writing or by other equally secure means. An application may be withdrawn at a later time, in the same manner.

2.6 OPENING OF APPLICATIONS AND DEADLINE

Applications, together with the requested information, shall be delivered to NEA no later than the specified opening date as further described in Section 2.1 of this Guide. Names of applicants will be announced on NEA website after the round closes.

2.7 PRESENTATION AND CLARIFICATION OF APPLICATIONS

Applicants may be requested to further explain their application or be invited to make a formal presentation of their applications and participate in formal discussions at their own expense after the application deadline. Participation by applicants in such a presentation is voluntary. If applicants request further information or clarification of the invitation documents, or if any discrepancy comes to their notice, which could have an impact on the content of their application, applicants shall direct any inquiries via the following email address: licensing@os.is, no later than 14 calendar days before the application deadline. In connection with the submission of any substantive queries NEA will provide biweekly updates to the Q&A section of the website where questions and answers are posted anonymously.

2.8 ANNOUNCEMENT OF AMENDMENTS/CLARIFICATIONS OF LICENCE DOCUMENTS

In case NEA considers that the documentation for the Licensing Round need further clarification and/or NEA deems it necessary to submit further information or announcements to interested parties during the application period, NEA aims to publish all such clarifications or announcements on its website as indicated in Section 2.7 herein above.

2.9 STATE PARTICIPATION

There will be no participation by the Icelandic State in the Second Licensing Round.

2.10 LANGUAGE

Applications and appendices may be submitted in Icelandic or English.
2.11 ADDRESS OF APPLICATIONS

Applications shall be addressed as follows:

The National Energy Authority
Grensa svegur 9
IS-108 Reykjavík
Iceland

Second Licensing Round – Application

2.12 THE LICENCE DOCUMENTS

Applications shall be formulated in accordance with the following documents:

1. This Guide, including all appendices, specifications and guidelines;
2. The Model Licence with appendices;
3. Icelandic laws, rules, regulations, acts, and standards applicable to the Project, including Act No. 13/2001 on Prospecting, Exploration and Production of Hydrocarbons (the Hydrocarbons Act), with later amendments, and the accompanying Regulation No. 884/2011 (the Hydrocarbon Regulation), as well as other documents referred to in this Guide and otherwise applicable to the Project.
4. Where applicable, the Agreement of 22 October 1981 between Norway and Iceland on the Continental Shelf Between Iceland and Jan Mayen, the Agreement between Norway and Iceland concerning transboundary hydrocarbon deposits of 3 November 2008 and the Agreed Minutes of the same date concerning the Right of Participation pursuant to Articles 5 and 6 of the Agreement from 1981, apply to the relevant parts of the area offered for the licensing (cf. map in Schedule B).
5. Additions and changes made to the Licence documents and appendices during the application procedure;
6. All supplementary documentation as deemed necessary by NEA;

The Licence documents, other relevant information and notices concerning the Second Licensing Round, are available on the website of NEA on the following web address: http://www.nea.is/2nd-licensing-round.

3 EVALUATION OF APPLICANTS

3.1 EVALUATION ADMINISTRATION

After the expiry of the deadline for submission of applications as explained herein, NEA will evaluate each application in accordance with the evaluation criteria as set forth in Section 3.2 herein below.

Received applications will be submitted to the Ministries responsible for the issues of nature conservation as well as the research, preservation and utilisation of the sea floor for review, pursuant to Art. 7(3) of the Hydrocarbons Act.

Licences will be granted on the basis of the information contained in the applications. NEA reserves the right to request supplementary information for use in considering the applications. No applicant is entitled to receive information about other applications submitted or their contents.
NEA reserves its right to negotiate terms with applicants on the following issues on the basis of proposals submitted:

- The area covered by each individual licence cf. Appendix 1 of the Model Licence.
- The licence period for each individual licence cf. Appendix 2 of the Model Licence.
- The work programme for exploration activities cf. Section 2.2 (c) herein above and Appendix 3 of the Model Licence (content, extent and time schedule for the exploration activities) for the individual licence.

The receipt of an application will not create an obligation on the part of NEA to grant a licence in respect of part or all of the area that is the subject of the application.

If NEA considers that an application for a licence for exploration does not fulfil the requirements of the Hydrocarbons Act or other relevant legislation, NEA may, pursuant to Art. 9(2) of the Hydrocarbons Act, reject the granting of an exploration licence or prescribe special provisions to be met in the exploration licence due to this.

Pursuant to Art. 8(3) of the Hydrocarbons Act, NEA may decide not to grant any licence for exploration and production on the basis of the applications received.

NEA will be responsible for all communication with the applicants.

The general terms and conditions on which licences will be granted are otherwise defined in the Hydrocarbons Act, the Hydrocarbons Regulation, and the Model Licence.

### 3.2 EVALUATION CRITERIA

#### 3.2.1 GENERAL AWARD CRITERIA

The licence will be granted on the grounds of the criteria in the Hydrocarbons Act, the Hydrocarbons Regulation, Hydrocarbons Rules, as published in this Guide and the Model Licence.

With a view of ensuring a thorough evaluation of the Icelandic continental shelf and in order to ensure proper and efficient management of health, safety and environmental related matters NEA will, in considering an application, have regard to the need for expeditious, thorough, efficient and safe exploration to identify Iceland’s oil and gas resources with due regard to environmental considerations (including fishing operations and the conservation of fish stocks) and such other criteria as are set forth in the Hydrocarbons Act and the Hydrocarbons Regulation.

As regards each application, the following factors will be specifically evaluated, whereas the general award criteria stipulated herein above will at all times be taken into consideration under each factor.

#### 3.2.2 WORK PROGRAMME FOR EXPLORATION ACTIVITIES – 35%

Hereunder the relative strength of the work programmes for exploration activities proposed by the applicant will be evaluated, with emphasis on the programme's appropriateness for evaluating hydrocarbon prospectivity and preparing the acreage for exploration drilling. Under this item will be evaluated the geological understanding of the applicant as derived from the work programme and the extent of the work commitments that the applicant is willing to undertake to thoroughly investigate the prospects of resources being discovered, and to explore for hydrocarbons in the area to be covered by the licence, and whether the licencee is committed to drilling exploration wells.
3.2.3 **TECHNICAL COMPETENCE AND EXPERIENCE – 35%**

Hereunder, the technical competence and offshore experience of the applicant under similar conditions will be evaluated, including expertise related to development work, research, safety and the environment, and how this expertise may actively contribute to cost effective exploration and, as appropriate, the production of petroleum from the geographical area in question as well as, where relevant, previous performance by the applicant under any authorisations to which the applicant has been a party.

3.2.4 **FINANCIAL CAPACITY – 30%**

Hereunder NEA will evaluate whether the applicant has the satisfactory financial capacity to carry out exploration for and, as appropriate, production of petroleum in the geographical area in question.

The applicant shall demonstrate that he has the necessary financial resources to carry out all exploration and production activities provided for in the Licence Documents, as well as other activities related thereto.

Each application shall be supplemented by a performance guarantee/parent guarantee/bank guarantee as provided for in Appendix 4 of the Model Licence.

Financial information submitted by applicants shall in all cases be verified by independent, internationally recognized auditors.
APPLICATION SHEET (1 OF 2)

I, the undersigned, have thoroughly familiarised myself with the Guide to Application Procedures, the Model Licence and otherwise all Licence Documents as well as the invitation to apply and hereby submit the following application in accordance thereto.

The following documentation is attached to the application in accordance with Section 2.2. of the Guide to Application Procedures:

Note!
If any required documentation is missing, NEA reserves the right to disqualify applications.

The application and all attached documentation shall be submitted, in accordance with Section 2.2 of the Guide, in 2 paper copies and 2 electronic copies on CDs. One additional printed copy and one additional electronic copy are required for applications that lie within or intersect the area defined in the Agreement between Iceland and Norway from 22 October 1981.
### APPLICATION SHEET (2 OF 2)

**Applicants information and signature:**

<table>
<thead>
<tr>
<th>Applicants name(s)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Id. No.</td>
<td></td>
</tr>
<tr>
<td>Address</td>
<td></td>
</tr>
<tr>
<td>Tel.</td>
<td></td>
</tr>
<tr>
<td>Fax.</td>
<td></td>
</tr>
<tr>
<td>E-mail</td>
<td></td>
</tr>
<tr>
<td>Contact person with respect to the applicant(s)</td>
<td></td>
</tr>
<tr>
<td>Place and date of application</td>
<td></td>
</tr>
<tr>
<td>Applicant(s) signature(s)</td>
<td></td>
</tr>
</tbody>
</table>
SCHEDULE A: DRAFT POWER OF ATTORNEY

In the event that the application is submitted on behalf of another party, a copy of a signed power of attorney shall accompany the application.

Power of Attorney

Name of the other party (company or individual) who is the actual applicant.

Name of the third party acting on behalf of the other party (the applicant).

The scope of the authorisation (authorisation to confirm orders, accept payment, etc.).

Name of contact person (position, telephone number, fax number, e-mail address and address).

Restrictions on the authorisation (if any).

Signature of the parties authorised to bind the other party (the applicant) together with all necessary information (name, position, telephone number, etc.).

Place and date of authorisation.
SCHEDULE B: LISTING AND MAP OF BLOCKS AND PARTS OF BLOCKS ON OFFER DURING SECOND LICENSING ROUND

IS6706/1 (part), 4 (part), 5 (part), 7, 8 (part), 10, 11 (part), 12 (part)
IS6707/1, 2, 3 (part), 4, 5, 6, 7, 8, 9, 10, 11, 12
IS6708/1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12
IS6709/1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12
IS6710/1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12
IS6711/2 (part), 3, 5 (part), 6, 8 (part), 9, 11 (part), 12
IS6807/4 (part), 7 (part), 8 (part), 10, 11 (part), 12 (part)
IS6808/1 (part), 2 (part), 4, 5 (part), 6 (part), 7, 8, 9, 10, 11, 12
IS6809/1, 2, 3 (part), 4, 5, 6, 7, 8, 9, 10, 11, 12
IS6810/1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12
IS6811/2 (part), 3, 5 (part), 6, 8 (part), 9, 11 (part), 12
IS6909/10 (part), 11 (part), 12 (part)
IS6910/7 (part), 8 (part), 9 (part), 10, 11, 12 (part)
IS6911/8 (part), 9 (part), 11 (part), 12

Northern Dreki Area on the Icelandic Continental Shelf between Iceland and Jan Mayen. The boundary of the Agreement Area from 1981, as referred to in Section 1.1, between Iceland and Norway shown by green, dashed line.
APPENDIX 1 – SUMMARY OF APPLICATION

Guidelines for information to be included in Appendix 1 of the application.

1. General information
   a. Application area, defined by geographical coordinates of whole minutes of latitude and longitude, and with reference to block numbers.
   b. Electronic file, in a format readable by ArcGIS software (e.g. a shape file), that depicts the boundary of the application area
   c. Name and address of each participating company, participating interest (%), and the role of each company (operator and/or participant).
   d. Name and address of the person who will serve as liaison in Iceland towards Icelandic authorities in connection with the handling of the application.

2. Work programme
   A brief summary is to be outlined for each application on the following subjects (maximum one page of text):
   a. Proposal on duration of licence term.
   b. Proposed work programme.

3. Description of the application area
   a. A brief descriptive summary of the application area (maximum one page of text for each area), and a map, illustrating the location of prospects and leads.
   b. A table giving the following information (for format use Form I):

<table>
<thead>
<tr>
<th>Geographical coordinates of appl. area + name of prospect/leads.</th>
<th>Estimated reserves with range of uncertainty (P90, P50, P10). Oil: 10^6 Sm^3 Gas: 10^9 Sm^3</th>
<th>Hydrocarbon type</th>
<th>Probability of discovery</th>
<th>Reservoir (stratigraphic level)</th>
</tr>
</thead>
</table>

^1 For leads a single reserve estimate is sufficient, where possible.
APPENDIX 2 – GEOLOGICAL EVALUATION

Guidelines for information to be included in Appendix 2 of the application.

In this Appendix the applicant shall provide a detailed geological evaluation of the areas applied for. Recommended page limits are given for the different sections of the evaluation (do not include figures and tables).

Evaluation

1. A review of the geological and geophysical data and database used in the application. Text should be limited to a maximum of 10 pages.

2. A petroleum geological analysis of the areas applied for. The analysis shall include information concerning source rock potential, maturation and migration history, reservoir, the formation of traps, seal and retention of hydrocarbons. The analysis should emphasise those factors critical for the evaluation of identified prospects and leads and should include interpreted geophysical, geological and geochemical data and maps that support the petroleum geological evaluation. Text should be limited to a maximum of 20 pages for each block/combination of blocks.

3. An evaluation of each of the identified prospects applied for. The prospect evaluation shall be limited to a maximum of 10 pages of text for each prospect (or combination of prospects where this is appropriate) include e.g. the following:
   a. Time and depth maps with method of depth determination, together with a prognosed geological column, in meters and twt.
   b. Anticipated hydrocarbon type, gas/oil ratio, formation volume factor, recovery factor, rock volume, and rock-dependent reservoir parameters, etc.
   c. Estimated recoverable hydrocarbon volumes in metric units. Ranges of uncertainty should be specified for all resource estimates (P90, P50, P10).
   d. Probability of discovery (risk) together with an explanation of how this factor is determined.

For leads the evaluation shall include similar information to the extent possible.

4. A description of exploration strategy. If the application for any given area is based only on the identification and mapping of leads, the applicant shall give a detailed description of the data acquisition and investigation necessary to ascertain whether the lead may later be classified as a prospect. Text should be limited to a maximum of 5 pages of text.

Definitions

- An application area may consist of prospects or leads. It is defined geographically by contiguous blocks or parts of blocks and their corresponding coordinates in whole minutes of latitude and longitude.
- A prospect is a possible hydrocarbon trap with a clearly defined and mappable rock volume.
- **A lead** is a possible hydrocarbon trap for which available data coverage and quality is not sufficient to permit the clear definition and mapping of the trap volume.

**Data formats**

- **General**
  - Formats, mentioned below, shall be considered as minimum requirements. In addition, the applicant may submit different products and/or use different formats and scales in order to illustrate specific points of relevance for the application.
  - All digital data shall be supplied on clearly labelled CDs and in clearly labelled CD-cases. The CDs shall be easily readable in ordinary CD-drives.
  - All maps must be presented with clear coordinates and/or block outline.
  - All navigation and map projection shall be in WGS84, UTM zone 29.
  - All written documents shall be included in as pdf-files.
  - The applicant shall name a contact individual that can aid with possible problems in reading the supplied electronic media and assist in solving any questions that NEA may have regarding the application, etc.

- **Maps**
  - Hardcopy (no larger than A3)
    - Minimum one prospect or lead map shall be included.
    - Minimum one regional map shall be included.
  - Digital
    - Maps shall be included as TIF, JPG or CGM files.

- **Seismic data**
  - Minimum one time line through each prospect or lead shall be included

- Expected drilled geological columns shall be included.
APPENDIX 3 – COMPANY INFORMATION

The following requested information shall be provided on an individual licencee basis.

The company information must include an overview of:
1. Ownership structure and organisation
2. Company size and experience
3. Financial situation of the company

1. Ownership structure and organisation
An overview of the ownership structure of the company, including a list of the major owners/owner groups and their ownership interests is requested. Information on where the applicant is currently registered and the location of its headquarters is also requested.

Furthermore, an updated status report on the company's organisation as it is at the application date must be submitted. The overview shall document the company's organisation as regards competence and capacity.

The information must contain an organisation chart for the company's own employees. Only personnel in positions actually filled shall be included. However, consultants shall appear in the overview.

The documentation should be limited to no more than 3 pages.

2. Size and experience of company
Information on the size and experience of the company shall be provided in the tables below. Supplementary comments/clarifications should be limited to maximum 3 pages.

Table 1: Company size

<table>
<thead>
<tr>
<th>Market value, given in mill USD*</th>
<th>Number of employees</th>
<th>Production (bbl o.e/day)</th>
<th>Number of operatorships on fields 1</th>
<th>Number of production licences as operator 2</th>
<th>Number of production licences as partner 3</th>
</tr>
</thead>
</table>

* Total value of the company, if listed on the Stock Exchange (Market Cap)
1 Fields in production or decided to be developed, for which the company is operator
2 All production licences in initial or extended period, where the company is operator
3 All production licences in initial or extended period, where the company is partner

Table 2: Company experience

<table>
<thead>
<tr>
<th>Drilling experience as operator</th>
<th>HTHP 1)</th>
<th>Deep water 2)</th>
<th>Arctic region 3</th>
<th>Other 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Field development as operator</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1) Mark Yes or No. Explanations and additional comments in the text.
2) Total value of the company, if listed on the Stock Exchange (Market Cap)
3) Fields in production or decided to be developed, for which the company is operator
4) All production licences in initial or extended period, where the company is operator
5) All production licences in initial or extended period, where the company is partner

3. Financial situation of the company
Information on the applicant’s business activities, including financial capacity is requested. An updated and complete statement of the applicant’s financial status must be provided as a part of the application. The statement should be limited to maximum 5 pages.
Companies with a financial rating from international rating agencies shall give this, together with the date of rating. All other companies must explain how the company will ensure that the financial commitments expected to follow a possible granting of the exploration and production licence applied for, will be met.

Companies without an international financial rating must include their last Annual Report and their last quarterly report, in pdf format.

The tables below on financial status must be filled in. If the company is part of an international company, the information in Table 3 shall represent the parent company.

**Table 3: Financial status**

<table>
<thead>
<tr>
<th>Key figures</th>
<th>2010</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total operating revenues</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total operating expenses</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating result</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Result before taxes</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Result after taxes</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net cash flow</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Liabilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating Margin ¹</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current Ratio ²</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity Ratio</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt Ratio ³</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

¹ \((\text{Operating result} + \text{financial income}) / \text{Total operating revenues} \times 100\)  
² \(\text{Current assets} / \text{Current liabilities}\)  
³ \(\text{Total debt} / \text{Total equity}\)

**Table 4: Costs**

<table>
<thead>
<tr>
<th>Expected investment activities</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Seismic</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Drilling</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other exploration costs</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Development</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other disbursements</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

A statement showing the expected cash flow in the period 2013 to 2015 should be prepared. Supplementary comments on the financial structure are requested. This should include source of debt (bank, bonds, parent company etc) and source of possible new equity capital (parent company, stock exchange etc).

Any specific circumstances which may influence the company’s financial ability to meet its future commitments on the Icelandic Continental Shelf must be stated.
APPENDIX 4 – EXPERTISE AND EXPERIENCE: TECHNICAL COMPETENCE AND HSSE

This enclosure shall include an overview of the applicant’s expertise and experience with respect to technological competence, health, safety, working environment, and environmental matters. The text for the enclosure shall be restricted to a maximum of 20 pages.

The required documentation shall reflect the actual conditions of the offshore area covered by the application. The applicant should refer to how their expertise could contribute to cost effective exploration of, and possible development of the block(s) applied for.

1. Operational organisation, including resources, expertise and experience
2. Technical competence, previous offshore performance, research and development. This should include information on the applicant's in-house capabilities in the area of G&G, reservoir, facilities management and field development technology. If these are not self-sufficient, what external resources are available to supplement these capabilities? Please indicate company policy with regard to employing new or advanced technology and company track record in introducing technology to operations.

3. Guiding principles regarding safety, working environment and environmental-related matters.
4. Management systems employed to ensure optimum safety and working environment conditions, together with those employed to ensure the protection of the environment, for those activities the applicant wishes to participate as operator in Iceland. These should include provisions for the ongoing improvement of these.
5. The applicant's view on challenges and key issues regarding operations in Icelandic waters.
6. A general description of the environment in the area covered by the application.
7. A demonstration of the applicant's knowledge of the Icelandic legislation relevant to the planned operations.
8. A description of the impact the planned activity may have on the environment.