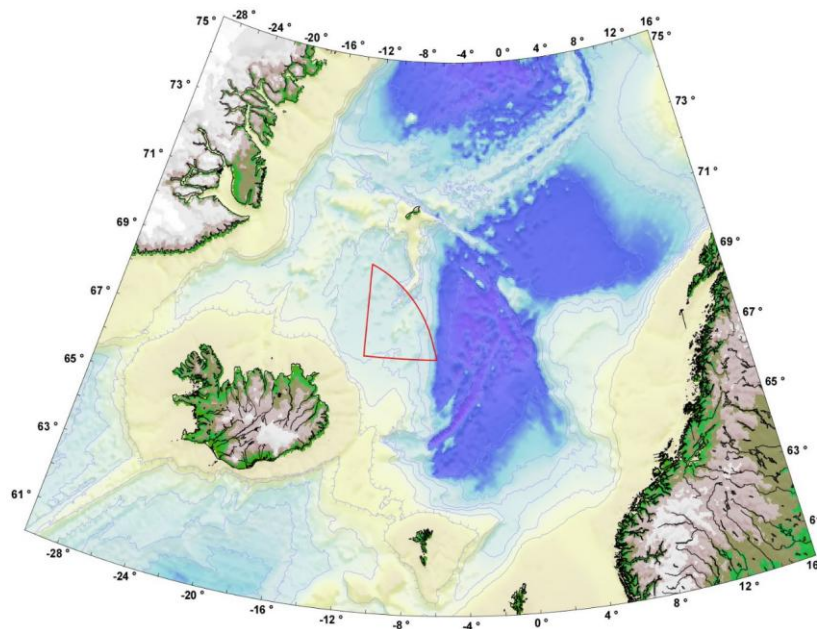




# GUIDE TO APPLICATION PROCEDURES

## ISSUE OF EXPLORATION AND PRODUCTION LICENSES OF HYDROCARBONS

### The Dreki Area 1<sup>st</sup> Licensing round - 2009



# INVITATION / WELCOME

On 18 December 2007 the Government of Iceland approved Minister of Industry, Energy and Tourism Össur Skarphedinsson's proposal to offer exclusive licenses for exploration and production of oil and gas 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 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 licenses 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, is already finished. This research is important in evaluating the later impact of oil exploration and will be completed before exploratory drilling begins.

The Government's plan for the first round entails granting five exclusive licenses of up to 800 km<sup>2</sup> each for exploration and production of oil and gas in the northern part of the Dreki area, which covers about 42,700 km<sup>2</sup>. 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 km<sup>2</sup> 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, which applies generally, 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, may decide not to grant any licences for exploration and production on the basis of the applications received.

# TABLE OF CONTENTS

<b>1</b>	<b>INFORMATION AND BACKGROUND</b>	<b>2</b>
1.1	INTRODUCTION	2
1.2	THE GOVERNING AUTHORITIES	2
1.2.1	<i>The Ministry of Industry, Energy and Tourism</i>	2
1.2.2	<i>The National Energy Authority</i>	3
<b>2</b>	<b>DESCRIPTION OF THE APPLICATION PROCEDURE</b>	<b>4</b>
2.1	TIMEFRAME	4
2.2	CONTENT OF APPLICATIONS	4
2.3	JOINT APPLICANTS/LICENSEES	5
2.4	APPLICATION FEES	6
2.5	WITHDRAWAL OF APPLICATIONS	6
2.6	OPENING OF APPLICATIONS AND DEADLINE	6
2.7	PRESENTATION AND CLARIFICATION OF APPLICATIONS	6
2.8	ANNOUNCEMENT OF AMENDMENTS/CLARIFICATION OF LICENSE DOCUMENTS	7
2.9	STATE PARTICIPATION	7
2.10	LANGUAGE	7
2.11	ADDRESS OF APPLICATIONS	7
2.12	THE LICENSE DOCUMENTS	7
<b>3</b>	<b>EVALUATION OF APPLICANTS</b>	<b>9</b>
3.1	EVALUATION ADMINISTRATION	9
3.2	EVALUATION CRITERIA	9
3.2.1	<i>General Award Criteria</i>	9
3.2.2	<i>Work Programme For Exploration Activities – 35%</i>	10
3.2.3	<i>Technical Competence and Experience – 30%</i>	10
3.2.4	<i>Financial Capacity – 25%</i>	10
3.2.5	<i>Resources management – 10%</i>	11
3.2.6	<i>other</i>	11
	<b>APPLICATION SHEET (1 OF 2)</b>	<b>12</b>
	<b>APPLICATION SHEET (2 OF 2)</b>	<b>13</b>
	<b>SCHEDULE A</b>	<b>14</b>
	<b>DRAFT POWER OF ATTORNEY</b>	<b>14</b>
	<b>SCHEDULE B</b>	<b>15</b>
	<b>LISTING AND MAP OF BLOCKS AND PARTS OF BLOCKS ON OFFER DURING 1ST LICENSING ROUND</b>	<b>15</b>
	<b>APPENDIX 1 – SUMMARY OF APPLICATION</b>	<b>16</b>
	<b>APPENDIX 2 – GEOLOGICAL EVALUATION</b>	<b>17</b>
	<b>APPENDIX 3 – COMPANY INFORMATION</b>	<b>19</b>
	<b>APPENDIX 4 – EXPERTISE AND EXPERIENCE: TECHNICAL COMPETENCE AND HSSE</b>	<b>20</b>

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## **1 INFORMATION AND BACKGROUND**

### **1.1 INTRODUCTION**

The National Energy Authority of Iceland (NEA) by the authority of the Ministry of Industry, Energy and Tourism (the Ministry) announced, with its notice published in the EFTA Publication Unit on 22 January 2009 for the Official Journal of the European Community and the Icelandic Legal Gazette on 22 January 2009, an invitation to apply for hydrocarbon exploration and production licenses 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), as amended by Act No. 49 of 27 March 2007 and Act No. 166 of 20 December 2008 and the rules laid down by the Hydrocarbons Regulation of the Ministry No. 38/2009 and the accompanying Rules (the Hydrocarbons Rules) issued by the NEA and confirmed by the Minister of Industry, Energy and Tourism (the Minister).

The area of the continental shelf to be offered for licensing is in the northeasternmost 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 License 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. Each license area can be up to a maximum of 800 km<sup>2</sup> of contiguous area. Shape and border lines of license area are not restricted to the reference block grid.

The NEA co-ordinates the invitation on behalf of the Ministry.

Applications will be received during the period ending at 16:00 on Friday, 15 May 2009. Applications are to be submitted to the co-ordinator, 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 licenses, are referred to herein as “the Project”.

### **1.2 THE GOVERNING AUTHORITIES**

#### **1.2.1 THE MINISTRY OF INDUSTRY, ENERGY AND TOURISM**

The Ministry of Industry, Energy and Tourism in Iceland is *i.a.* responsible for industrial matters, industrial development and innovation, the Technological Institute of Iceland and the Building Research Institute of Iceland, as well as the harnessing, transport and distribution of energy, energy sources, energy research and utilization of energy, district heating plants and electric plants, the NEA and the Energy Fund. The Ministry is also in charge of mines and mining, industrial rights, legalization of professional titles in the field of technology and design, industrial enterprises with governmental participation, as well as standards and the Standards Council of Iceland and regional development, including the Institute of Regional Development.

The Minister of Industry, Energy and Tourism is Mr. Ossur Skarphedinsson. Mr. Skarphedinsson has been Minister in Office since 24 May 2007 and is a member of the Icelandic Parliament (the Althingi) since 1991.

### **1.2.2 THE NATIONAL ENERGY AUTHORITY**

Orkustofnun, the NEA, was formally established in July 1967 and works under the auspices of the Ministry of Industry, Energy and Tourism according to the Act of Orkustofnun No. 87 of 26 March 2003 and the rules laid down by the Regulation on Orkustofnun No. 308/2004.

The responsibilities of the 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. The 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, as amended by Acts No. 49/2007 and 166/2008, the Minister of Industry, Energy and Tourism may authorise the NEA to grant licences and take other official decisions according to this Act. This role of the NEA is furthermore stipulated by the said Act. Accordingly, the Minister may revoke the decisions of the NEA, following an appeal by the parties concerned.

Director General of the NEA is Prof. Gudni A. Jóhannesson, PhD.

## **2 DESCRIPTION OF THE APPLICATION PROCEDURE**

### **2.1 TIMEFRAME**

The starting date of the Licensing Round is 22 January 2009. Closing date of the Licensing Round is 15th of May 2009 at 16:00.

A presentation meeting, designed to introduce the invitation procedure and the licensing round to interested parties, will be held at the premises of the NEA, Grensásvegur 9, 108 Reykjavík, on 5 February 2009 at 10:00.

Submitted applications will be opened at the premises of the NEA, Grensásvegur 9, 108 Reykjavík, at a publicly available meeting on 18 May 2009, at 14:00. At the opening, the names of the applicants and the block(s) applied for will be read out.

Each application shall be valid for 22 weeks from the date on which they are opened.

Selection of applicants is planned to be finalized no later than 31 October 2009, with the exploration and production licenses 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 the Governing Authorities 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. The application shall furthermore contain a commitment by each applicant (or a consortium of applicants) to establish a corporate entity in Iceland that will serve as the holder of the license and through which all financial revenues of the Project will be channeled.
- 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, 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 license, 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) A commitment by each applicant to submit an initial contribution to an education and research fund as further described in the terms of the exploration and production license.

- 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. The NEA may at any time require additional information from the applicant.
- j) Appendix 5 shall contain information and proposals for the use of local facilities in Iceland for the purposes of conducting exploratory activities as well as for the purposes of production of hydrocarbon, so as to allow for proper evaluation by the government of necessary public development and construction of areas by the state and respective/relevant municipalities.

The information contained in the application and its appendices will be kept confidential, cf. Section 21 of the Model License.

The application shall be submitted in 2 printed copies. In addition 2 electronic copies of the application shall be submitted on a read only compact disk. The compact disk shall be readable in a conventional compact disk drive. The electronic copy shall be easily importable into Microsoft Office 2003 or submitted in pdf format. The compact disks and the cases shall be adequately 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 The NEA to receive further information regarding the License documents.

The above mentioned information is also available on the website of the NEA on the following web address: <http://www.nea.is/licensinground2009>.

### 2.3 JOINT APPLICANTS/LICENSEES

Where a license is granted to several parties jointly it is subject to the condition that a joint operating agreement is executed and delivered to the NEA no later than 60 days after the license has been granted. The NEA may require that the agreement be modified on specific points, cf. Art. 7 of the Hydrocarbons Act and the Model License.

## 2.4 APPLICATION FEES

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

- A fee of ISK 150,000 is to be paid to the NEA upon submission of the application.
- Upon the issuance of the license, 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 10 of the Model License.
- Should the License be extended for the purposes of production, the Licensee shall pay a fee of ISK 1,350,000 for each such extension.
- The Licensee shall also pay an annual area fee cf. Art. 30 a.(5) of the Hydrocarbons Act and Art. 37 of the Hydrocarbons Regulation.

Application fees and license fees shall be paid to the NEA on the following current account:

Nýi Landsbanki Íslands (NBI)  
Account No.: 0130 – 15 – 391567  
ID no.: 500269–5379  
ISBAN No.: IS680130153915675002695379  
Swift code: NBIISRE

The payment should be marked “1st Licensing Round”. A copy of the receipt for said payment shall be attached to the application.

Application fees and license 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.

## 2.6 OPENING OF APPLICATIONS AND DEADLINE

Applications, together with the requested information, shall be delivered to the NEA no later than the specified opening date as further described in Section 2.1 of this Guide, when and where they will be opened in the presence of those applicants who request to be present.

## 2.7 PRESENTATION AND CLARIFICATION OF APPLICATIONS

Applicants may be invited to make a formal presentation of their applications and participate in formal discussions at their own expense after the application deadline. Applicants participation 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 can post queries on the NEA website, no later than 14 calendar days before the application deadline. In connection with the submission of any queries the NEA will provide weekly updates to the Q&A section of the website.



## 2.8 ANNOUNCEMENT OF AMENDMENTS/CLARIFICATION OF LICENSE DOCUMENTS

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

## 2.9 STATE PARTICIPATION

In accordance with Art. 8 a. and 8 b. of the Hydrocarbons Act the Ministry may later determine that the Icelandic State shall hold a specified share of a license granted.

## 2.10 LANGUAGE

Applications and appendices may be submitted in the Icelandic or English language.

## 2.11 ADDRESS OF APPLICATIONS

Applications shall be addressed as follows:

**The National Energy Authority**

**c/o Mr. Kristinn Einarsson**

**Grensásvegur 9**

**108 Reykjavík**

**Iceland**

**Re. Dreki Area 1<sup>st</sup> Licensing Round – Application**

## 2.12 THE LICENSE DOCUMENTS

Applications shall be executed in accordance with the following documents:

1. This Guide, including all appendices, specifications and guidelines;
2. The Model License with appendices;
3. Icelandic laws, rules, regulations, acts, and standards applicable to the Project, including the Icelandic Parliamentary Act no. 13 of 13 March 2001 on prospecting, exploration and production of Hydrocarbons (the Hydrocarbons Act), as amended by Act no. 49 of 27 March 2007 and Act of 20 December 2008, as well as the Regulation No. 38/2009 (the Hydrocarbons Regulation) of the Ministry and the accompanying Rules (the Hydrocarbons Rules) issued by the NEA and confirmed by the Minister of Industry, Energy and Tourism, as well as other documents referred to in this Guide and otherwise applicable to the Project;
4. Additions and changes made to the License documents and appendices during the application procedure;
5. All supplementary documentation as deemed necessary by the Governing Authorities;

The License documents, other relevant information and notices concerning the 1<sup>st</sup> Licensing Round, are available on the website of the NEA on the following web address:  
<http://www.nea.is/licensinground2009>

### **3 EVALUATION OF APPLICANTS**

#### **3.1 EVALUATION ADMINISTRATION**

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

After considering the applications received and prior to granting the licence, the NEA will submit the result of its deliberations to the Icelandic Ministry of Fisheries and the Ministry of Environment 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. The 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.

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

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

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

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

The NEA will be in charge of all communication with the applicants.

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

#### **3.2 EVALUATION CRITERIA**

##### **3.2.1 GENERAL AWARD CRITERIA**

The license 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 License.

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 the 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), as well as to the proposed creation of related educational, research and other activities in Iceland 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 license, and whether the licensee is committed to drilling exploration wells.

### **3.2.3 TECHNICAL COMPETENCE AND EXPERIENCE – 30%**

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 – 25%**

Hereunder the 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.

Under the Hydrocarbons Act, licenses will be granted to Icelandic limited companies. The limited company shall have a minimum equity share capital of EUR 150,000 and shall otherwise demonstrate that it has the necessary financial resources to carry out all exploration and production activities provided for in the License 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 the Model License.

Financial information submitted by applicants shall in all cases be verified by independent, internationally recognized auditors.

### **3.2.5 RESOURCES MANAGEMENT – 10%**

Hereunder the NEA will evaluate whether the work programme provided in the application envisages a satisfactory plan for good resources management of eventual and given hydrocarbon reserves of specific types, especially in the context of the national economy of Iceland.

### **3.2.6 OTHER**

If the NEA considers two or more applications equal by the measure of the criteria given above, the NEA is permitted to rate applications by other criteria, e.g. by the willingness of the applicant to support the establishment of a special hydrocarbon education and research fund with an initial contribution as specified in the application. The specification of an initial contribution shall be binding for a successful applicant, notwithstanding whether it is used for rating under this criterion.

## **APPLICATION SHEET (1 OF 2)**

I, the undersigned, have thoroughly familiarised myself with the Guide to Application Procedures, the Model Licence and otherwise all License 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 the required attached documentation is missing, the NEA reserves the right to disqualify applicants.**

**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 read-only 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:

Applicants name(s)	
Id. No.	
Address	
Tel.	
Fax.	
E-mail	
Contact person with respect to the applicant(s)	
Place and date of application	
<b>Applicant(s) signature(s)</b>	

**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.

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**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.

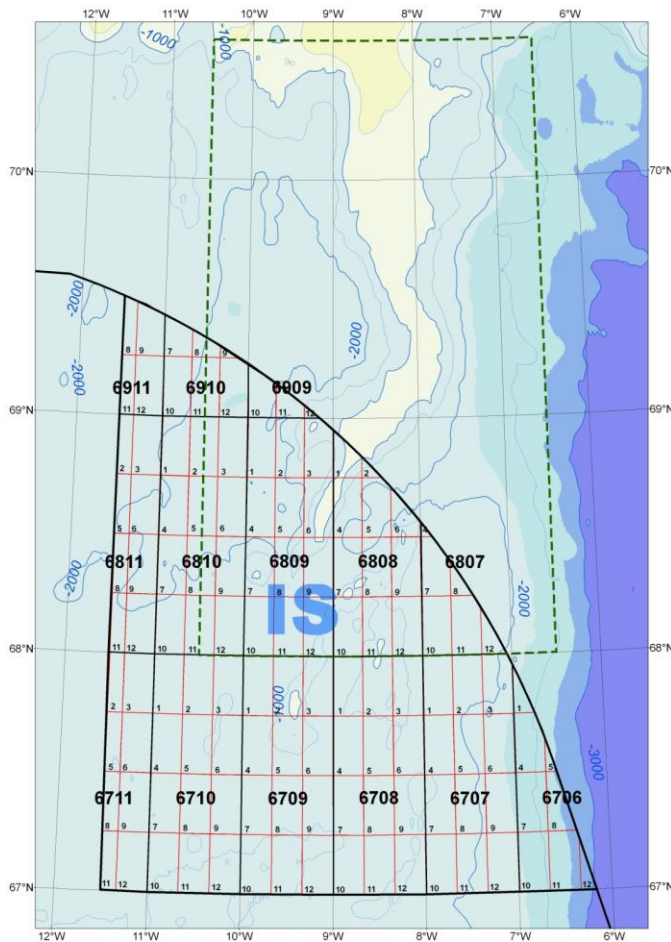
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## SCHEDULE B

### LISTING AND MAP OF BLOCKS AND PARTS OF BLOCKS ON OFFER DURING 1ST 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



## 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 the 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 license 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 1*):

Geographical coordinates of appl. area + name of prospect/leads.	<sup>1</sup> Estimated reserves with range of uncertainty (P90, P50, P10). Oil: 10 <sup>6</sup> Sm <sup>3</sup> Gas: 10 <sup>9</sup> Sm <sup>3</sup>	Hydrocarbon type	Probability of discovery	Reservoir (stratigraphic level)

<sup>1</sup> 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 RO 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 a format easily readable by Microsoft Office.
  - 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 the 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 licensee basis.

#### 1. Company Structure

Icelandic entity	Name and address of the Icelandic entity. Applicants with no subsidiary company nor a registered branch in Iceland have a 3-month notice following the license award to make the proper arrangements.
Legal form	Legal form of the Icelandic entity.
Manager/head and board	Name and address of the manager/head of the Icelandic entity. If the entity is a limited company the names and addresses of the respective members of the board shall also be provided.
Parent company	Name, address and place of registration.
Parent company's board and management	Name of parent company's board members and management.
Shareholders	Shareholders or groups of shareholders with 10% or more of the share capital and/or with significant influence on the company. The share's ratios shall be provided.
Group	Graphical illustration and a brief written description of the group, including associated companies. An overview of the individual companies' activities shall be submitted.

#### 2. Financial matters

Credit rating	Applicants and their parent companies that are credit rated by international credit rating companies, e.g. Standard & Poor's shall provide their credit ratings from year 2005 and onwards.
Accounting issues	The latest annual accounts for the applicant and for the group that the applicant is part of shall be submitted. The latest public interim accounts shall also be submitted if they are of a later date than the annual accounts.

#### **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.
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.