

Standard terms for prospecting licences

Hydrocarbons

Unofficial translation



Government of Greenland
BUREAU OF MINERALS AND PETROLEUM
March 2009

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Hydrocarbons

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Grønlands Hjemmestyre
Råstofdirektoratet

“Standard terms for prospecting licences – Hydrocarbons (March 2009)” is an updated version of the “Standard terms for prospecting licences – Hydrocarbons (1 June 2001)” in which section 2.03 has been changed upon approval by the Government of Greenland on January 22nd 2009 and the Danish Government on March 6th 2009.

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1 Resources covered by the licence

1.01 The Licence covers prospecting regarding hydrocarbons.

2 Licence area

2.01 The licence area is indicated in the licence.

2.02 The licence covers onshore and offshore areas as indicated in the licence. The boundary between the land area and the adjoining offshore area is determined at the mean sea level.

2.03 This licence is also valid for areas where exclusive licences under section 7 of the Mineral Resources Act have been granted. Activities in these areas must be carried out in a way, so they do not interfere unnecessarily with the activities of the licensee under the exclusive licence in this area. Furthermore copies of all raw data (e.g. copies of seismic field tapes) acquired in such an area must be forwarded to the licensee of the exclusive area free of charge.

3 Licence period

3.01 The licence is effective for the period indicated in the licence.

3.02 The licensee may surrender the licence at any time with notice in writing to the Bureau of Minerals and Petroleum (BMP).

4 Licence fees

4.01 The licensee shall pay a fee of 15,000 DKK to BMP at the granting of the licence, cf. section 6, subsection 4 of the mineral Resources Act.

4.02 The licensee shall pay a fee of 7,500 DKK to BMP on approval of transfer of the licence, cf. section 6, subsection 4 of the Mineral Resources Act. Approvals under section 15.04 do not require payment of fee.

4.03 The fees indicated in sections 4.01-4.02 will be adjusted each year on the basis of the change of the Danish Consumer Price Index from January 1992 to January in the actual year.

4.04 The fees indicated in sections 4.01-4.02 shall be paid upon 30 days notice.

5 Activities of other parties in the licence area

5.01 The licensee shall respect all existing rights, and the licence does not entail restrictions of lawful activities carried out by other parties in the licence area.

6 Exploration obligations

6.01 The licensee is not obligated to spend expenses regarding the licence area.

7 Approvals etc. regarding activities

- 7.01 The licensee's activities shall be carried out in accordance with good international exploration practices under similar circumstances.
- 7.02 The following activities may be carried out by the licensee without specific approval by BMP:
- (a) geological and geochemical investigations as well as sampling using handheld equipment for laboratory investigations, provided samples from each location do not exceed 500 kg and provided the total weight of the samples does not exceed 3 tons per year;
 - (b) drilling with handheld equipment.
- 7.03 Activities other than those indicated in section 7.02 may be carried out, provided they have been approved by BMP. Upon approval BMP may determine that specific methods or specific equipment and materiel may not be used or that activities may not be carried out in specific areas during certain periods.
- 7.04 Samples may not be sold or otherwise transferred to a third party, unless this is approved by BMP.
- 7.05 Hunting and fishing is not allowed in connection with the activities.
- 7.06 In accordance with section 24 of the Mineral Resources Act rules may be laid down governing the carrying out of activities covered by a prospecting licence within and outside the licence area, including rules regarding technical, safety, environmental and resource aspects.
- 7.07 The licensee shall take all necessary measures to ensure that the activities do not endanger persons or third-party property. Likewise, the licensee shall take measures to minimise the risk of pollution and the risk of harmful effects on the environment within as well as outside the licence area.
- 7.08 If the licensee's activities endanger persons or third-party property or are liable to cause pollution or have a harmful effect on the environment exceeding what is acceptable in the opinion of BMP, BMP may order the licensee to modify to the extent necessary the performance of such activities within a time limit determined by BMP. If BMP deems it necessary, BMP may further order the licensee to suspend the activities, wholly or partly, until the licensee has carried through the necessary modifications. BMP may further order the licensee to remedy environmental damages caused by the licensee's activities, if any, within a time limit determined by BMP:
- 7.09 The licensee shall currently undertake cleanup activities and remedy damages to terrain and vegetation were necessitated by the activities of the licensee.

8 Inspection

- 8.01 BMP undertakes inspection of the licensee's activities under this licence and may appoint other parties to carry out the inspection. The inspection personnel of BMP shall be entitled in all respects to follow all activities of the licensee and to demand from the licensee all information relating to the licensee's activities under a licence. The inspection personnel of BMP shall have access at any time without a court decree to all parts of the activities to the extent required to enable them to carry out the inspection.
- 8.02 BMP inspection personnel may take out samples of geological material, which has been obtained as part of the licensee's activities.

- 8.03 BMP inspection personnel may protest against any infringement of legislation or other provisions applicable to the licensee's activities and may issue such orders as they deem necessary, cf. section 7.08
- 8.04 The licensee shall pay reasonable expenses connected with the transportation of BMP inspection personnel between the place to be inspected and the nearest airport or heliport in Greenland with scheduled flights and shall, according to agreement, arrange such transportation. The same applies to accommodation for BMP inspection personnel at the site and transportation in the licence area, if necessary.

9 Obligations at the termination of the activities

- 9.01 The licensee shall within 12 months from the termination of the activities under the licence or a new licence granted in continuation of this licence
- (a) remove all installations, buildings, stored items etc. in the area which have been established for the activities under the licence, except when the non-removal of these installations, etc., has been approved by BMP; and
 - (b) carry out final cleanup activities in the affected areas and remedy any remaining damage to the terrain and vegetation caused by the activities.

If the licensee does not comply with orders regarding carrying into effect measures as indicated above before the expiry of a time limit stipulated by BMP, such measures may be carried out at the licensee's expense and risk, cf. section 18, subsection 3 of the Mineral Resources Act.

10 Reporting

- 10.01 Not later than 1 month after termination of field work the licensee shall forward a field report to BMP regarding the work including notice of any essential finds of mineral resources.
- 10.02 The licensee shall forward reporting to BMP regarding all geological, geochemical, geophysical, technical, environmental and other investigations, which have been carried out regarding the licence area during a calendar year. The reporting shall be submitted no later than April 1 in the following year. The reporting shall include all raw data and any kind of analysis and data processing made on the samples collected. At the request of BMP the licensee shall submit geological samples to BMP.
- 10.03 BMP may lay down rules concerning the reporting of activities carried out under prospecting licences, including specifications of the types of data and information, which shall be included in the reporting under sections 10.01-10.02. Further information from the licensee concerning the activities under a licence may be demanded by BMP. BMP is entitled to submit the data in question to the state-owned company Nunaoil A/S for internal use by the company in carrying out its work as an adviser to BMP on oil and gas matters and in order to build up competence within the company, cf. also section 11.01.
- 10.04 The licensee shall pay all expenses regarding preparation and submission of reports and samples under the licence.

11 Confidentiality

- 11.01 Unless otherwise indicated in the licence reporting submitted in accordance with sections 10.01-10.03 shall be treated as confidential by BMP and Nunaoil A/S for a period of 5 years from the date when the reporting was submitted to BMP. However, the period of confidentiality will terminate at the expiry of the prospecting licence or if a new licence is granted in continuation of this licence, at the expiry of the new licence.
- 11.02 Confidential material may be released with the licensee's written consent. The licensee shall not without good reason withhold such consent.
- 11.03 BMP is entitled to make general statements concerning the licence area and the work performed under the licence. Furthermore, BMP may, without restrictions or conditions, make use (including publication) of material that in the opinion of BMP is of general public interest, including data and considerations of an environmental, technical, navigational, meteorological and glaciological nature, topographical maps and aerial photographs, and bathymetric maps.

12 Information to local authorities

- 12.01 If the licence covers an onshore or fiord area the licensee shall inform the Municipality about his presence in the area prior to start up of field work in the area.

13 Personnel, supplies etc

- 13.01 The licensee shall in carrying out activities under a licence use his reasonable endeavours to employ manpower from Greenland or Denmark when employees are hired. However, to the extent necessary for the activities the licensee may employ staff from other countries, if manpower with similar qualifications does not exist or is not available in Greenland or Denmark.
- 13.02 The licensee shall in carrying out activities under a licence use his reasonable endeavours to assign contracts, subcontracts, purchase of supplies and services to Greenland enterprises. However, the licensee may assign such contracts, purchases of supplies and services to other enterprises provided Greenland enterprises are not technically or commercially competitive. Greenland enterprises are defined as enterprises which are domiciled in Greenland and which by virtue of the commercial activities they perform have a true connection to the Greenland community.

14 Transfer of the licence

- 14.01 The licence or parts hereof can neither directly nor indirectly be transferred to other parties unless the transfer is approved in accordance with section 27 of the Mineral Resources Act.
- 14.02 The license is excluded from any legal proceeding.

15 Revocation of the licence

- 15.01 The licence may be revoked in the following situations, cf. section 28 of the Mineral Resources Act.
- (a) If the licensee breaches the terms of the licence or the provisions laid down pursuant to the Mineral Resources Act or pursuant to the licence, or if the licensee fails to meet specified time limits.
 - (b) If the licensee acts fraudulently while submitting information to BMP.
 - (c) If one (or more) of the parties participation in the licence goes into liquidation or is declared bankrupt.
- 15.02 Revocation pursuant to section 15.01(a) is not to take place if the licensee has remedied the default within a time limit stipulated by BMP. If the default has not been remedied within the time limit, the licence may be revoked without further notice.
- 15.03 If the default under section 15.01(b) leads to revocation of the licence is caused by events, which could not be prevented by the licensee (force majeure), the licence cannot be revoked as long as the hindrance caused by the force majeure continues.
- 15.04 In the event indicated in section 15.01(c) BMP will be favourably inclined to approve a transfer of the percentage of the party in question to one or more of the other parties participating in the licence. In that case, the licence will not be revoked in pursuance of section 15.01(c).

16 Liability and security

- 16.01 The licensee shall be liable for loss and damages caused by activities covered by the licence according to the enactments and general rules of Danish law regarding liability for loss and damages.
- 16.02 BMP may request that the licensee provides security for loss and damages, furthermore BMP may request that the licensee's activities is covered by insurance cf. sections 9.01 and 16.01.
- 16.03 BMP may request the licensee to hold an insurance during field work covering costs in connection with rescue operations or to provide another type of security regarding such costs.

17 Liability

- 17.01 If more than one party participate in the licence, all parties shall be liable for the fulfilment of their obligations under the licence irrespective of the parties participating percentages in the licence.

18 Relationship to other legal requirements

- 18.01 The licence is subject to the laws of Greenland and Denmark in force at any time. The licence does not exempt the licensee from obtaining such approvals and permits as are required pursuant to the Mineral Resources Act and other legislation.

19 Arbitration

- 19.01 Decisions, which according to stipulations of the licence depend on the judgement or resolve of the Government of Greenland or BMP, are not subject to arbitration. This stipulation does not exclude ordinary review by Danish courts.
- 19.02 In any other case disputes arising between the Government of Greenland and the licensee regarding questions concerning the licence will be finally decided upon by a board of arbitration, appointed pursuant to sections 19.03-19.06,
- 19.03 The board of arbitration consists of 3 members and will be seated in Copenhagen. In its decision the board of arbitration will apply Danish law.
- 19.04 Of the 3 members of the board of arbitration, the Government of Greenland and the licensee will each appoint 1 member. The Government of Greenland and the licensee appoints jointly the chairman of the board of arbitration. If a part has not appointed his member within 30 days after the date on which the other part has appointed his member, then this member is appointed by the Chief Justice of the Danish Supreme Court. If the two parties have not reached agreement upon the choice of chairman of the board of arbitration within 60 days after one of the two parties has suggested a chairman, the chairman will be appointed by the Chief Justice of the Danish Supreme Court. The chairman of the board of arbitration must be a Danish citizen.
- 19.05 The board of arbitration makes its decision by a majority of votes. The board of arbitration will lay down its own rules of procedure for the consideration of the case including rules of providing evidence of technical nature, and it will decide which part shall pay the expenses connected with the arbitration.
- 19.06 The right to bring in a case before the board of arbitration pursuant to the licence will endure after its expiry.

20 Obligations at the termination of the licence

- 20.01 The licensee's obligations according to the licence, which have not been fulfilled at the termination of the licence remain in force regardless of the termination.
- 20.02 The licensee shall keep all data, drill cores and other samples for at least 1 year after the expiry of the licence. If the licensee after this period should decide to discard the original field data, BMP shall be offered the data free of charge before destruction of data.

21 Translations

- 21.01 The licence and the standard terms are in Danish and translations of these have no legal validity.