

SERVICE LEVEL AGREEMENT BETWEEN:

The Oil and Gas Authority (OGA)

and

The Welsh Government (TWG)

THIS SERVICE LEVEL AGREEMENT DATED: October 2018

PARTIES:

THE OIL AND GAS AUTHORITY of 21 Bloomsbury Street, London, United Kingdom, WC1B 3HF (Company number 09666504) (the 'OGA')

and

THE WELSH GOVERNMENT of, Cathays Park, Cardiff, CF10 3NQ

(collectively the Parties)

1. RECITALS

1.1 Since **1st October 2016**, The Oil and Gas Authority (the **OGA**) became a government company, limited by shares under the Companies Act 2006, with the Secretary of State for Business, Energy and Industrial Strategy the sole shareholder.

1.2 The Division of Decarbonisation and Energy unit is a Division within the Department for Energy, Planning and Rural Affairs of the Welsh Government (TWG).

1.3 Pursuant to section 7 (3) Energy Act 2016, the Welsh Ministers may enter into an agreement with the OGA authorising the OGA to exercise any functions of the Welsh Ministers.

1.4 This Service Level Agreement ('**SLA**') is between TWG and the OGA.

1.5 The OGA has agreed to provide to TWG a service as set out in this SLA.

1.6 The purpose of this SLA, together with its various supporting Annexes, is to establish the necessary mechanisms required for the provision of the service to TWG from the OGA.

1.7 All Welsh Government and OGA staff dealing with matters addressed under this SLA are responsible for ensuring that they adhere to its principles and related procedures.

1.8 The Parties do not intend this SLA to be a legally binding document and it cannot override the statutory duties and powers of either TWG or the OGA, nor can it override the law.

1.9 The Welsh Ministers must arrange for a copy of this SLA to be published in such manner as the Welsh Ministers consider appropriate for bringing it to the attention of the persons who, in the Welsh Ministers' opinion, are likely to be affected by it.

1.10 References to "**SLA**" are references to this SLA including the Annexes.

2. INTERPRETATION

2.1 In this Agreement, the following expressions shall have the meaning indicated below: -

FDP: Field Development Plan

SLA: Service Level Agreement

TWG: The Welsh Government

3. SERVICES

3.1 This SLA covers OGA advice to TWG on the following matters:

- (i) Field Development Plan (FDP) approvals
- (ii) Drilling consents
- (iii) Licence changes (e.g. assignments)
- (iv) Operator approval
- (v) Flaring and Venting and Productions consents
- (vi) Extended Well Test
- (vii) Onshore Licence extensions
- (viii) Amendments to Work Programme
- (ix) Retention or Development Area Plan approvals
- (x) Determination or re-determination of a field under Schedule 1 to the Oil Taxation Act 1975
- (xi) Approval of methodology for petroleum measurement

plus Ad hoc advice which may be required from time to time and will be provided subject by further agreement between the OGA and TWG.

hereto referred to as the “**Services**” and as defined in **Annex A**.

3.2 In responding to requests for advice from TWG the parties understand that the OGA has discretion to determine when sufficient information has been provided and close off an enquiry once it is satisfied this is the case.

3.3 This SLA does not cover environmental advice (e.g. Strategic Environmental Assessments (SEAs) or Habitats assessments, responses to any legal challenges made against TWG in respect of matters covered by the SLA or otherwise; Mapping, or Management of Data or File Maintenance and Licence relinquishments.

4. COMMENCEMENT

4.1 The OGA shall provide the Services in accordance with this SLA with effect from **1 October 2018**, and shall be in force (unless extended in agreement by both Parties) until **30 September 2020**.

5. OGA PROVISIONS

5.1 The OGA shall:

- (i) Deliver the Services in accordance with the provisions set out in **Annex 1**.
- (ii) Maintain Service Levels for the Services supplied to TWG as set out in this SLA.
- (iii) Assist with TWG in identifying changes that would require an amendment to the Services supplied to TWG.
- (iv) Ensure that invoices are issued promptly for advice provided in accordance with **Annex 2** and that payments are accounted for correctly.

- (v) Ensure that requests for information from TWG through nominated contacts are responded to promptly in accordance with agreed timescales.

6. WELSH GOVERNMENT PROVISIONS

6.1 TWG shall:

- (i) Provide and maintain an email address for the receipt of invoices for the Services provided
- (ii) Pay the OGA for provision of the Services on time, such payments to be made by BACS or CHAPS to the following details:

Bank Name: Oil and Gas Authority
Account Number: 10023739
Sort Code: 607080
Swift/BIC Code: NWBKGB2L

Payments Notification of the payment should be sent to accountsreceivable@ogauthority.co.uk quoting the invoice number.

- (iii) Payments shall be made within 30 days on which the valid invoice is delivered electronically.

7. MANAGEMENT OF THE SERVICE LEVEL AGREEMENT

7.1 The OGA Agreement Co-ordinator shall have overall responsibility for monitoring performance of the SLA, and will provide TWG with full details where concerns are raised by TWG about the OGA performance of the requirements in the SLA.

7.2 The OGA Liaison Officer, will act as TWG first point of contact and is responsible for collating the OGA and reverting to TWG.

8. CONFIDENTIALITY

8.1 Each party to this SLA undertakes to observe the confidentiality of the information received from or supplied to the other Party during the period of implementation of this SLA.

8.2 Condition 8(1) above shall not apply to information which:

- (a) is or becomes public knowledge (otherwise than by breach of the SLA);
- (b) is in the possession of each Party, without restriction as to its disclosure, before receiving it from the other Party; or
- (c) is required by law to be disclosed.

8.3 On completion of a task, the OGA agrees to return any hard information received from TWG. The OGA will destroy such information in line with its Record Management Policy, in place at the time after the termination of this SLA.

9. FREEDOM OF INFORMATION

9.1 The Parties operate under the Freedom of Information Act 2000 and the Environmental Information Regulations 2004. It is acknowledged by both Parties that the OGA does not hold the information provided to it by TWG under this SLA, and it is agreed that the OGA will direct any requests for such information to the TWG at Petroleum.Petroleum@gov.wales

10. CHARGING

10.1 Charges for the provision by the OGA of the Services are as set out in **Annex 2**.

10.2 For clarity:

“Fixed fees”, following the approach taken with the charges introduced in 2013, and in line with HM Treasuries “Managing Public Money” Guidance, are for those services that, in a resource-input sense, are considered to be predictable and similar in all cases, so the OGA is charging a fixed fee for TWG to as a standard charge.

“Time sheeted fees” where the required resource input differs from case to case (e.g. Field Development Plans), the fixing of a single standard charge would result in cross-subsidisation of complex cases by simpler, straightforward cases. Therefore, the OGA has adopted the approach of time sheeting for such services to ensure that fees are fully cost reflective.

The number of days and half hours spent providing the services by each OGA officer involved will be recorded on time sheets and the charge calculated using the predetermined daily and hourly rate that represents staff costs. This approach will enable the OGA to issue an invoice that reflects accurately the resource used for assessing each case.

In line with current OGA practice for activities that are time sheeted, a working day will be seven hours and units of time under a day would be recorded in half hour units. As is currently the case for current fees charged by the OGA, if work is commenced (and therefore time sheeted) and the application for the service or consent is subsequently withdrawn or abandoned by an applicant, an invoice will be issued to recover the OGA’s costs.

Value Added Tax. HM Treasury maintains details of goods and services which, if supplied by a government body, are deemed to be business activities and therefore Value Added Tax (‘VAT’) is charged so as not to distort normal competition with a private sector supplier.

The provision of the consents or services by the OGA outlined in this SLA does not fall within the scope of a business activity and as such they are not within the scope of VAT. Therefore, no VAT will be charged on any Service.

11. PERSONNEL

11.1 The OGA shall ensure that the Services are performed by appropriately qualified and trained personnel with reasonable skill, care and due diligence and to such standards of quality as it is reasonable for TWG to expect in all circumstances.

12. TERMINATION

12.1 This Agreement may be terminated by either party at any time. Notice to terminate must be provided in writing to the appropriate party, 90 days before the provision of the Service will cease.

13. ACCESS TO INFORMATION

13.1 The OGA shall provide proof of the makeup of any charges under to this SLA for both fixed fees and time sheeted charges that TWG may request, in agreement with the OGA; as the Agreement Co-ordinator considers reasonable.

13.2 The OGA shall also provide access at all reasonable times to the appointed auditors of the OGA or TWG as those bodies consider necessary in connection with this SLA.

14. AMENDMENT AND VARIATION

14.1 No amendment or variation to this Agreement shall be effective unless it is in writing and signed by both Parties.

15. NOTICES

15.1 Any notices to be given under this SLA shall be delivered personally, by courier, or by first class post to the Agreement Co-ordinator. Any such notice shall be deemed to be served if delivered personally or by courier, at the point of delivery, or if sent by first class post, 48 hours after posting. **Electronic mail shall not be acceptable as these do not carry a signature.**

16. RESOLUTION OF ISSUES

16.1 Efforts to resolve any disagreement between TWG and the OGA concerning matters addressed under this SLA will begin at the operational management level and escalate progressively through TWG and the OGA's levels of management until they are resolved.

17. DISCLAIMER

17.1 The provision of the Services and any general advice given by the OGA to TWG does not represent legal advice and is advisory in nature only. It is not intended for the OGA to make decisions on TWG's behalf, it being for TWG to make its own decisions in relation to the Services. TWG remains solely responsible for any decision that it makes based on the provision by the OGA of the Services and TWG shall indemnify the OGA for all claims, damages, losses and expenses, including but not limited to legal fees, however so arising out of the provision of the Services or resulting from such decisions., No liability shall arise on the OGA from the provision of the Services to TWG.

18. DATA PROTECTION

18.1 The Parties acknowledge that, for the purposes of applicable Data Protection Legislation, being any data protection, privacy or similar laws or regulations anywhere in the world relating *inter alia* to the processing or other use of personal data, as

amended from time to time, including the DPA and GDPR, that apply in relation to any personal data processed in connection with the SLA, TWG is the Data Controller.

Signed on behalf of their relevant organisations:

.....Date: 29/10/2018

Thomas Wheeler, Director of Regulation, on behalf of the OGA

.....Date:.....

..... & Energy Deputy Director, on behalf of the Welsh Government

ANNEX A – SCOPE OF WORK

i) Field Development Plan approvals

a) High level summary of the consent

The terms and conditions of a Production Licence prevent licence holders from installing facilities or producing hydrocarbons without the authorisation of TWG. The Field Development Plan (FDP) is the support document for Welsh Government's development and production authorisations. The FDP must be agreed by Welsh Government before Production Consent is granted which allows the licensee to produce hydrocarbons. It will usually be during the second term period that the operator wishes to move to development and production, but it could be in the initial term.

FDP approvals are specific consents to particular proposed developments, given individually to specific persons after consideration of the details of their application.

The FDP should provide a brief description of the technical information on which the development is based, the proposed main elements of the production and their export routes. The FDP should provide a summary of the operator's understanding of the field although more information must be provided if required by Welsh Government.

The Licence operator is usually responsible for producing the FDP and to ensure that all necessary consents and authorisations are obtained.

When considering whether to authorise a proposal, the approval process will take into account whether the proposed project and methods accord with good industry practice.

b) Process for the OGA's advice

A Licensee who wishes to produce hydrocarbons will need consent from TWG and can apply for it by submitting an e-mail with all necessary information (including Draft Field Development Plan) to TWG. This e-mail package can be forwarded by TWG to oilandgaslicensing@ogauthority.co.uk with a request for advice. The OGA Liaison Officer will pass the package to the appropriate OGA Consent Team for consideration. That Consent Team may ask TWG directly for further information if required.

The Consent Team will consider their geotechnical interpretation, engineering design and economic evaluation for the field, with the configuration of infrastructure and the predicted rate and period of production of the hydrocarbons from the reservoir. Field Development Plan consent is only granted when all other permissions and consents are in place and TWG is content with the Operator's Competency, Financial Viability and Financial Capacity.

Once the Consent Team has drawn up its conclusions it will provide those to The OGA Liaison Officer who will then record and send to TWG. The OGA Liaison Officer will then instruct the OGA Finance Officer to issue an invoice.

c) Those aspects TWG will need to consider without OGA advice

It will be for TWG before providing its consent to the Licensee to consider the jurisdiction of other regulators in relation to the proposed operations, e.g. if the licensee has appropriate planning permission from the local planning authority (LPA), relevant approvals from the

Health and Safety Executive, and that all the necessary permits from Natural Resources Wales are in place.

It will be for TWG to determine whether the proposed FDP is consistent with relevant Welsh legislation and policy positions.

ii) Drilling Consents

a) High level summary of the consent

The terms and conditions of the PEDL require the authorisation of TWG before operators can initiate a drilling activity (vertical, horizontal or side-track wells). The process of obtaining consent to drill a well is the same whether the well is targeted at conventional or unconventional gas.

Licensees undertake three types of drilling activity, Exploration drilling to verify the presence or absence of oil or gas or Appraisal drilling to make further assessment of a discovery to determine if reservoir is economically viable to develop. Last, if an FDP has been approved, they may drill a Development Well if the initial exploration well is not to be used for development purposes.

The full list of drilling consents the SLA covers are:

- To drill a new well
- To drill a side-track
- To complete a well
- To suspend a well
- To re-enter a well subject to a well suspension
- To abandon a well

b) Process for the OGA's advice

A Licensee who wishes to drill will need consent from TWG and can apply for it by submitting an e-mail with all necessary information (as Schedule and Annexes) to TWG. This e-mail package can be forwarded by TWG to oilandgaslicensing@ogauthority.co.uk with a request for advice. The OGA Liaison Officer will pass the package to the appropriate OGA Consent Team for consideration in consultation with the onshore Technical officer and others as appropriate (e.g. the OGA accountant).

That Consent Team or Technical Officer or other officials may ask TWG directly for further information if required. The Consent Team will assess the geotechnical data provided by the licensee and review its well site operational plans, including the possibility of side-track wells, hydraulic fracture stimulation, and plans to save or flare gas in testing for hydrocarbons. The Financial and Operator Competency checks will be made by OGA. The OGA must also be satisfied that an appropriate insurance policy is in place.

Once the Consent Team has drawn up its conclusions after consulting colleagues it will provide those to The OGA Liaison Officer who will then record and send to TWG. The OGA Liaison Officer will then instruct the OGA Finance Officer to issue an invoice.

c) Those aspects TWG will need to consider without OGA advice

It will be for TWG before providing its consent to the Licensee to check:

- The licensee has planning permission from the local planning authority (LPA).
- All the necessary permits from Natural Resources Wales are in place.

- The Health and Safety Executive (HSE) has had notice of and is satisfied with the well design.
- The licensee has arranged an examination of the well design by an independent, competent well examiner.
- The British Geological Survey (BGS) has been notified of the intent to drill.

It will be for TWG to determine whether the proposed drilling consent is consistent with relevant Welsh legislation and policy positions.

iii) Licence Changes (e.g. assignments)

a) High level summary of the consent

A company that is party to a licence may wish to sell its interest, or a part of it, to another company. Any transaction in which one or more companies enters a licence, and/or one or more companies withdraws from it, is referred to as a licence assignment.

The terms and conditions of the PEDL require the authorisation of TWG before a license assignment can take place.

License assignment are not usually a concern but there might need scrutiny in a case in which one company gains a completely dominant position on a licence, or where one company has such a small interest that it is not motivated to participate in exploiting the licence but yet can block work.

Assignment made without prior consent as a very serious breach of the model clauses attached to every licence, and as grounds for immediate revocation of the licence or to reverse the assignment using powers granted in the Energy Act 2008 (s76). This applies equally to assignments between unaffiliated companies, to assignments between sister companies within a single company group, and to the withdrawal of a company from a licence.

b) Process for the OGA's advice

A Licensee who wishes to seek a licence assignment approval will need consent from TWG and can apply for it by submitting an e-mail with all necessary information (as Schedule and Annexes) to TWG. This e-mail package can be forwarded by TWG to oilandgaslicensing@ogauthority.co.uk with a request for advice. The OGA Liaison Officer will pass the package to the appropriate Consent Team for consideration. That OGA Consent Team may ask TWG directly for further information if required.

In considering applications, the OGA would normally want to be satisfied the proposed new company has the capacity to participate fully in licence operations and discharge its licence obligations. This will include the OGA accountant looking at their financial viability and capacity to fund the work programme scheduled to the licence.

Licensees must meet certain financial criteria to demonstrate that they have the financial capacity to exploit the exclusive rights granted by the Licence. The OGA has two distinct types of financial criterion: Financial Viability and Financial Capacity. Financial Viability refers to a company's ability to remain solvent while Financial Capacity refers to a company's ability to meet known and specific costs. The OGA's financial guidance can be found here: <https://www.ogauthority.co.uk/licensing-consents/licensing-system/licensee-criteria/>

The measures described in the OGA's financial guidance are solely for the purpose of establishing whether Licensees have the viability and capacity to undertake the obligations of their Licence. These measures should not be assumed to meet the needs of third parties who have an interest in a licensee's financial capability.

OGA Licensing Team routinely consults colleagues within the OGA, mainly our onshore exploration manager geophysics Toni Harvey.

The OGA Consent Team will consider assignments to a sister company but if they are made specifically to dispose of the licence interests via a corporate sale, the OGA will advise TWG that it should want to know who the buyer is before approval is granted.

In some circumstances, the creation of very small licence interests may be of questionable advantage. It may, for instance, prejudice the licence group's attempts to agree on new work by introducing new voices. However, such drawbacks may be outweighed by a new licensee's expertise or experience. As a rule, the OGA suggests any licensee seeking to create small licence interests (under 5%) should justify the transaction in the 'extra information' section of the application form.

Under OGA processes, assignment consents and operator approvals are valid for three months after the execution/handover dates specified in the application form. Completions delayed beyond three months will require a renewal. The OGA will generally consider requests for extensions on receipt of a revised completion date and confirmation that the details in the original application are still valid.

Once the consent Team has drawn up its conclusions it will provide those to The OGA Liaison Officer who will then record and send to TWG. The OGA Liaison Officer will then instruct the OGA Finance Officer to issue an invoice.

c) Those aspects TWG will need to consider without OGA advice

It will be for TWG to circulate details of each application to HM Revenue & Customs (HMRC).

It will be for TWG to determine whether the proposed assignment is consistent with relevant Welsh legislation and policy positions.

iv) Operator approval

a) High level summary of the consent

Licences stipulate that each licence must have an operator who has the function of organising or supervising all or any of the operations in pursuance of the licence. This is called operatorship. Operators cannot be appointed except with the approval of TWG.

Operator approval relates only to a company's competence and does not confer any permission to carry out actual activities such as drilling, seismic surveys, or field developments. It is specific to the license under which it is given and each case is considered on its own merits.

Requests for operatorship approval can occur either at the time of licence application or other times during the lifetime of a licence.

b) Process for the OGA's advice

A Licensee who wishes to have an operator approved will need consent from TWG and can apply for it by submitting an e-mail with all necessary information (as Schedule and Annexes) to TWG. This e-mail package can be forwarded by TWG to oilandgaslicensing@ogauthority.co.uk with a request for advice. The OGA Liaison Officer will pass the package to the appropriate consent Team for consideration. That Consent Team may ask TWG directly for further information if required.

In considering any request for operatorship the competency of the proposed operator is assessed by the OGA, taking into consideration the following factors:

- technical experience and capability to supervise, manage and undertake the proposed operation;
- their risk-assessment and hierarchy of decision-making,
- and plans for public engagement.

The amount of information required to support the application will depend on the circumstances, including the complexity and scope of the planned activity. Furthermore, a new entrant or small company with little onshore experience should expect to provide more information than an established onshore operator.

The information the OGA may require is stipulated in the guidance document (ref).

Licensees and Operators are encouraged to be a member of the UK Onshore Operators Group (UKOOG), which has worked with regulators to publish industry guidelines for best practice, which contain what is good industry practice and refer to the relevant legislation, standards and practices.

The OGA would require a letter from the board of the proposed operator confirming scope of insurance or availability of necessary funds for any required remedial work.

If an assignment involves an operator change, the OGA assesses the company requesting to be the operator.

The OGA would not recommend the TWG approve a license assignment if it would leave any operations without an approved operator.

Applicants are advised to allow time in their plans for the consideration of operator approvals.

Once the consent Team has drawn up its conclusions it will provide those to The OGA Liaison Officer who will then record and send to TWG. The OGA Liaison Officer will then instruct the OGA Finance Officer to issue an invoice.

b) ***Those aspects TWG will need to consider without OGA advice***

It will be for TWG to consider, before providing its consent to the Licensee, the jurisdiction of other regulators and their viewpoint of the proposed operator, for example, the operator's competency relating to past or current environmental or planning consents.

It will be for TWG to determine whether the proposed operator approval is consistent with relevant Welsh legislation and policy positions.

v) Flaring and Venting and Production consents

a) High level summary of the consent

Production

The terms and conditions of an oil and gas licence require approval for the production of hydrocarbons for a given period of time and for a given volume.

Subject to the terms of the licence, agreement will usually be given for production over a period that can be reasonably forecast with appropriate tolerances in the levels to be produced. Conditions may be imposed to give Welsh Government powers to require a review if performance falls outside these tolerances or if the field is found to differ from the initial perception to such an extent that there is a risk of a loss of significant economic reserves.

A production consent will only be authorised once Welsh Government is satisfied that the Field Development Plan meets its requirements as the production consent will reference the agreed forecast rates or volumes in the Plan.

Flaring and Venting

During the appraisal, commissioning and production phases of a development, the flaring and/or venting of some gas may be unavoidable. However, this flaring or venting must be kept to the minimum that is technically and economically justified. TWG controls gas emissions by requiring licensees to apply for consent to flare or vent gas emitted by their fields. The main purpose of this requirement is to ensure that gas is conserved where possible by avoiding unnecessary wastage. Flaring and venting is also undesirable on environmental grounds.

Separate applications for production, flare and vent consents will need to be completed as appropriate.

b) Process for the OGA's advice

A Licensee who wishes for production, flaring and venting consent from TWG and can apply for it by submitting an e-mail with all necessary information (as Schedule and Annexes) to TWG. This e-mail package can be forwarded by TWG to oilandgaslicensing@ogauthority.co.uk with a request for advice. The OGA Liaison Officer will pass the package to the appropriate Consent Team for consideration. That consent Team may ask TWG directly for further information if required.

Once the Consent Team has drawn up its conclusions it will provide those to The OGA Liaison Officer who will then record and send to TWG. The OGA Liaison Officer will then instruct the OGA Finance Officer to issue an invoice.

c) Those aspects TWG will need to consider without OGA advice

It will be for TWG to consider, before providing its consent to the Licensee, to consider the jurisdiction of other regulators and their viewpoint of the proposed consent, for example, whether the licensee has the necessary environmental or planning consents.

It will be for TWG to determine whether the proposed Flaring, Venting or Production consent is consistent with relevant Welsh legislation and policy positions.

vi) Extended Well Test

a) High level summary of the consent

Welsh Government may consider authorising production testing over periods less than 96 hours (or max 2000 tonnes) as part of the **drilling consent**, but any more extensive testing is considered to be an Extended Well Test (EWT). Welsh Government may authorise an EWT from an exploration or appraisal well prior to a full field development approval if it can be demonstrated that the licensees will thereby gain the technical understanding or confidence in the performance of the field needed to progress towards a development.

A well test would be classified as an EWT where the well test of the different sections exceeds the 96-hour threshold per section, or exceeds the 2,000 tonnes of oil total (combined quantity for all tested sections, including the clean-up periods).

The EWT consent will set the quantities of gas to be produced and saved or flared. An EWT may only be granted for a limited time and is not an alternative to long term production under an approved Field Development Plan, and all the other permission and consents must be in place.

b) Process for the OGA's advice

A Licensee who wishes for an Extended Well Test from TWG and can apply for it using by submitting an e-mail with all necessary information (as Schedule and Annexes) to TWG. This e-mail package can be forwarded by TWG to oilandgaslicensing@ogauthority.co.uk with a request for advice. The OGA Liaison Officer will pass the package to the appropriate Consent Team for consideration. That consent Team may ask TWG directly for further information if required.

Once the Consent Team has drawn up its conclusions it will provide those to The OGA Liaison Officer who will then record and send to TWG. The OGA Liaison Officer will then instruct the OGA Finance Officer to issue an invoice.

c) Those aspects TWG will need to consider without OGA advice

It will be for TWG to consider, before providing its consent to the Licensee, to consider the jurisdiction of other regulators and their viewpoint of the proposed EWT, for example, whether the licensee has the necessary environmental or planning consents.

It will be for TWG to determine whether the Extended Well Test approval is consistent with relevant Welsh legislation and policy positions.

vii) Onshore Licence Extensions

a) High level summary of the consent

Initial and Second Terms Licenses

The ability to vary the length and requirements of the initial and second terms of a Licence by agreement through a licence variation provides a reasonable balance between the interests of having clear objective milestones (to ensure that the licensee pursues its obligations with diligence) and the need to have a degree of flexibility.

When deciding whether to agree to extending the term of a licence Welsh Government seeks to strike a careful balance in exercising this flexibility: too relaxed and it undermines the licensing system as well as relaxing the time constraints that attempt to ensure the activities proceed in a timely manner, but not so rigid to be unreasonable given the obstacles which onshore licensees must overcome which are beyond their control.

Production Licenses

Production licences can be extended beyond their original expiry date if necessary to allow approved fields to finish their production.

Licensees expecting to need an extension should formally inform TWG between 6 and 12 months before the licence's expiry date. The TWG might request an update to the field development plan to support a request for a licence extension and may refuse to extend a licence if the licensee's performance is unsatisfactory.

An extension will be implemented by a licence Deed of Amendment or for licences converted to the 2014 Model Clauses, by a Direction letter.

b) Process for the OGA's advice

A Licensee who wishes to extend a licence will need consent from TWG and can apply for it using by submitting an e-mail with all necessary information (as Schedule and Annexes) to TWG. This e-mail package can be forwarded by TWG to oilandgaslicensing@ogauthority.co.uk with a request for advice. The OGA Liaison Officer will pass the package to the appropriate consent Team for consideration. That consent Team may ask TWG directly for further information if required.

Once the consent Team has drawn up its conclusions it will provide those to The OGA Liaison Officer who will then record and send to TWG. The OGA Liaison Officer will then instruct the OGA Finance Officer to issue an invoice.

c) Those aspects TWG will need to consider without OGA advice

It will be for TWG to determine whether an extension is consistent with relevant Welsh legislation and policy positions.

viii) Amendments to Work Programmes

a) High level summary of the consent

Licensees can ask Welsh Government for permission to have the exploration work programme that they agreed at licence award time (and which is Schedule 5 to the licence) amended at a later time. An amendment would need to be formally agreed with TWG and the licence schedule amended accordingly.

b) Process for the OGA's advice

A Licensee who wishes to amend a work programme will need consent from TWG and can apply for it using by submitting an e-mail with all necessary information (as Schedule and Annexes) to TWG. This e-mail package can be forwarded by TWG to oilandgaslicensing@ogauthority.co.uk with a request for advice. The OGA Liaison Officer will pass the package to the appropriate consent Team for consideration. That Consent Team may ask TWG directly for further information if required.

Once the consent Team has drawn up its conclusions it will provide those to The OGA Liaison Officer who will then record and send to TWG. The OGA Liaison Officer will then instruct the OGA Finance Officer to issue an invoice.

c) Those aspects TWG will need to consider without OGA advice

It will be for TWG to determine whether the proposed amendment is consistent with relevant Welsh legislation and policy positions.

ix) Retention or Development Area Plan approvals

a) High level summary of the consent

For Licences with the 2014 Model Clauses, (The Petroleum Licensing (Exploration and Production) (Landward Areas) Regulations 2014), Welsh Government can accept applications for Retention Areas which allow for further definition of the programme of work after the initial term. Retention Areas are specified parts of the licensed area with a defined programme of exploration or appraisal work and a specified timetable (together called a Retention Area Plan).

An application to have an area designated as a Retention Area must be accompanied by a Retention Area Plan outlining the licensee's proposed exploration and appraisal activities within the Retention Area and the relevant timescales for performance.

The licensee may propose the creation or amendment of Retention Areas at any time.

b) Process for the OGA's advice

A Licensee who wishes for Retention or Development Plan approvals from TWG and can apply for it using by submitting an e-mail with all necessary information (as Schedule and Annexes) to TWG. This e-mail package can be forwarded by TWG to oilandgaslicensing@ogauthority.co.uk with a request for advice. The OGA Liaison Officer will pass the package to the appropriate Consent Team for consideration. That Consent Team may ask TWG directly for further information if required.

Once the consent Team has drawn up its conclusions it will provide those to The OGA Liaison Officer who will then record and send to TWG. The OGA Liaison Officer will then instruct the OGA Finance Officer to issue an invoice.

c) Those aspects TWG will need to consider without OGA advice

It will be for TWG to determine whether the proposed Retention Area is consistent with relevant Welsh legislation and policy positions.

x) Determination or re-determination of a field under Schedule 1 to the Oil Taxation Act 1975

a) High level summary of the consent

As required by the Oil Taxation Act 1975, TWG will formally define boundaries of a petroleum field either as part of Field Development Plan approval or separately when a boundary is being 'redrawn'. A proposed determination of a field must be made before Welsh Government can approve a Field Development Plan.

Schedule 1 to the Act states that all fields are to be "determined" by a boundary drawn around them. A field determination is a boundary that encompasses the maximum extent of the field. This is taken as the maximum extent of all the hydrocarbons present, whether moveable or not, and regardless of whether the entire accumulation is in phase and/or pressure communication.

The process for determination involves TWG issuing a proposal (for the boundary) to all licensees with an interest in the licenced blocks in which the field is situated and licensees in the adjacent blocks, so all parties can ensure their interests in the oil field will be recognised. The boundary is defined by grid lines of the UK National Grid.

Fields may be re-determined at the request of any party following the acquisition of new information, either seismic or from wells, that indicates the original determination is no longer valid.

As all fields are determined as areas of which every part is, or is part of, an area licensed under the Petroleum Act 1998, it follows that when such a licensed area is relinquished the field should be re-determined to exclude that area.

b) Process for the OGA's advice

A Licensee who wishes for approval of a Determination or re-determination of a field from TWG and can apply for it using by submitting an e-mail with all necessary information (as Schedule and Annexes) to TWG. This e-mail package can be forwarded by TWG to oilandgaslicensing@ogauthority.co.uk with a request for advice. The OGA Liaison Officer will pass the package to the appropriate Consent Team for consideration. That consent Team may ask TWG directly for further information if required.

The Consent Team would normally meet with the licence holder and assesses the request. The OGA then considers the evidence submitted by the licensees and makes a decision whether to redraw the boundary of a field

Once the consent Team has drawn up its conclusions it will provide those to The OGA Liaison Officer who will then record and send to TWG. The OGA Liaison Officer will then instruct the OGA Finance Officer to issue an invoice.

c) Those aspects TWG will need to consider without OGA advice

It will be for TWG to determine whether the proposed determination or re-determination of a field is consistent with relevant Welsh legislation and policy positions.

xi) Approval of methodology for petroleum measurement

a) High level summary of the consent

Licensees before going into production will apply to TWG for approval (technically a "non-objection" under terms and conditions of the Licence) to metering apparatus to account for petroleum won and saved from the licensed area. This does not involve a site inspection.

In some cases in order to assist the Licensee in establishing the appropriate method of measurement, a preliminary assessment of measurement requirements will enable the Licensee to complete the screening of options at an earlier stage and so minimise the effort in system evaluation. This procedure is intended to avoid the risk of the Licensee proceeding with a system design that would not be acceptable to TWG.

b) Process for the OGA's advice

A Licensee who wishes for approval of metering apparatus from TWG and can apply for it using by submitting an e-mail with all necessary information (as Schedule and Annexes) to TWG. This e-mail package can be forwarded by TWG to oilandgaslicensing@ogauthority.co.uk with a request for advice. The OGA Liaison Officer will pass the package to the appropriate Consent Team for consideration. That consent Team may ask TWG directly for further information if required.

Once the consent Team has drawn up its conclusions it will provide those to The OGA Liaison Officer who will then record and send to TWG. The OGA Liaison Officer will then instruct the OGA Finance Officer to issue an invoice.

c) Those aspects TWG will need to consider without OGA advice

It will be for TWG to determine whether the proposed approval is consistent with relevant Welsh legislation and policy positions.

Ad hoc advice by agreement

High level summary of the consent

It may be the case that TWG wishes for advice on a matter that is not elsewhere covered in this SLA.

Process for the OGA's advice

In this instance, TWG will seek a request to the OGA setting out the nature of the advice sought and whether the OGA would be willing (on a time sheeted basis) to provide the advice. The OGA will consider whether such advice is appropriate, and whether it is given other work pressures willing to give such advice. If the OGA decides it will provide such advice it may set a maximum time that the advice can run up to. If it is decided by both parties to proceed, TWG should submit an e-mail with all necessary information to oilandgaslicensing@ogauthority.co.uk with a request for the advice as agreed. The OGA Liaison Officer will pass the package to the appropriate Consent Team for consideration. That consent Team may ask TWG directly for further information if required (this may be time sheeted too).

Once the consent Team has drawn up its advice or conclusions it will provide this to The OGA Liaison Officer who will then record and send to TWG. The OGA Liaison Officer will then instruct the OGA Finance Officer to issue an invoice.

Signed on behalf of their relevant organisations

Annex 2 – Schedule of Charges

Advice type	Fee
Approval of an onshore or offshore Field Development Plan (referred to in the Regulations as a development and production programme), including approval to revisions and addenda	The charge for this services is determined by a formula which is £595 per day times the number of days; and the number of officers involved in the approval.
To drill a new well	£729
To drill a sidetrack	£596
To complete a well	£566
To suspend a well	£596
To re-enter a well subject to a well suspension	£566
To abandon a well	£566
Change of licensee	£401
Change of the beneficiary of a petroleum field or subarea	£401
Appointment or change of the operator of a petroleum field or subarea	£1,201
Production consent including variations	£1,052
Flare or vent petroleum including variations	£765
Extended Well Tests	£1,052
Extension of the initial, second or final term of a petroleum licence. Extension of the final phase of the initial term of a petroleum licence	£1,000
Amendment of a work programme?	£1,000
Consent to retention or development area proposals	£1,068
Determination of an oil field under Schedule 1 to the Oil Taxation Act 1975	£1,124
Methodology proposed for the measurement of petroleum	£1,214
Ad hoc advice be agreement	The charge for this service is determined by a formula which is £595 per day times the number of days; and the number of officers involved in the approval.