

**LICENCE TEXT
UNOFFICIAL TRANSLATION
FOR PUBLICATION**

**LICENCE NO. 03/97
FOR EXPLORATION FOR AND EXPLOITATION OF
HYDROCARBONS FOR AN OFFSHORE AREA NEAR
FYLLAS BANKE IN WEST GREENLAND**

**MINERAL RESOURCES ADMINISTRATION FOR GREENLAND
5 DECEMBER 1996**



**Government of Greenland
BUREAU OF MINERALS AND PETROLEUM**

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MINERAL RESOURCES ADMINISTRATION FOR GREENLAND
DECEMBER 5, 1996

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MINISTRY OF ENVIRONMENT AND ENERGY
MINERAL RESOURCES ADMINISTRATION FOR GREENLAND
US/hv/C/2166/96

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GREENLAND**

Under articles 7 and 11 of the Act on Mineral Resources in Greenland (the Mineral Resources Act) – Act No. 335 of June 6, 1991 as amended by Act No. 1074 of December 22, 1993 and Act No. 303 of April 24, 1996 – the Minister for Environment and Energy hereby grants the licensee indicated below an exclusive licence for exploration for and exploitation of hydrocarbons. The licence is granted under the provisions set out in chapters 1, 3, 4, 7, 10 and 11 of the Mineral Resources Act and furthermore under the terms set out below.

The licensee is composed of the following companies with participating percentages as indicated:

Den norske stats oljeselskap a.s.
c/o Statoil E&P A/S
Sankt Annæ Plads 13
DK-1298 Copenhagen K., Denmark ----- 38,25%

Phillips Petroleum International Corporation Denmark
c/o Phillips Petroleum Company Norway
P.O.Box 220,
N-4056 Tananger, Norway ----- 38,25%

Dansk Olie- Og Gasproduktion A/S
Agern Allé 24–26,
DK-2970 Hørsholm, Denmark ----- 8,50%

Nunaoil A/S
DK-3900 Nuuk, Greenland ----- 15, 00%

§ 1. Definitions

101. For the purpose of the licence the following terms shall have the meanings indicated below, unless otherwise apparent from the context:

- a. “Greenland” means the island of Greenland with surrounding islands and attached maritime zones, however not exceeding a distance of 200 nautical miles from the base line from which the fishing territory is calculated.
- b. “MRA” means the Mineral Resources Administration for Greenland as referred to in article 5 of the Mineral Resources Act.
- c. “Hydrocarbons” means oil/condensate and natural gas, where
 - “oil/condensate” means all hydrocarbons, which are in a liquid state at standard atmospheric pressure (1.01325 bar) and temperature (15°C); and
 - “natural gas” means all hydrocarbons which are in a gaseous phase at standard atmospheric pressure (1.01325 bar) and temperature (15°C). Non-hydrocarbon gas in association with and produced with such gaseous hydrocarbons will also for the purpose of royalty calculation be treated as natural gas under the terms of this licence.
- d. “Hydrocarbon discovery” means any indication of an accumulation of hydrocarbons penetrated by an exploration well.
- e. “Hydrocarbon deposit” means a continuous accumulation of hydrocarbons in the subsoil.
- f. “Exploratory well” means a well which is drilled to investigate whether hydrocarbons are present in a formation or other unit within a geological structural or stratigraphic trap in which the presence of hydrocarbons has not previously been demonstrated. Reopening and redrilling of a well is not regarded as a new exploratory well unless this is approved by MRA.
- g. “Effective economic basement” means a geological section below which there are no reasonable grounds for expecting that reservoir units exist.
- h. “Exploration licence” means the licence for exploration and exploitation granted by the signing of this document by the Minister for Environment and Energy.
- i. “Exploitation licence” means an extension of the exploration licence for exploitation issued for a specific area.
- j. “Licence” means as well the exploration licence as an exploitation licence.
- k. “Valuation point” means the outlet flange of the licensee’s ultimate export/transportation facilities in Greenland, such as an offshore loading facility, an onshore tank farm, an onshore liquefaction plant or the onshore delivery point of the hydrocarbons from the licensee to a third party for consumption (excluding liquefaction) in Greenland. MRA shall, after consultation with the licensee, designate the specific valuation point or points for a development project in accordance with the foregoing principles.

§ 2. Licence Area

201. The exploration licence covers an offshore area near Fyllas Banke in West Greenland divided into 2 subareas as follows:

- a. a western subarea consisting of 376 subblocks (6,842 km²);
- b. an eastern subarea consisting of 145 subblocks (2,645 km²).

The delineation of the exploration licence area is defined in Appendix 1. A map of the area is included as Appendix 2.

202. The exploration licence area is covered by a system of blocks (each comprising approx. 450 km²) and subblocks of these (each comprising approx. 18 km²), the former measuring 30 minutes of longitude by 10 minutes of latitude and the latter measuring 6 minutes of longitude by 2 minutes of latitude. Blocks and subblocks are delineated by corner points defined by degrees and undivided minutes connected by longitudes and latitudes. Longitudes are defined in degrees west of the Greenwich meridian, latitudes in degrees north of the Equator. All longitudes and latitudes refer to the World Geodetic System Datum 1984 (WGS-84). Blocks and subblocks are shown and numbered in Appendix 3.

203. At the end of the first subperiod of the exploration period the licensee shall relinquish at least 25% of the exploration licence area. In case that the licensee under section 302 modifies the first subperiod for one of the subareas such relinquishment may be effected

- a. at the end of year 4 within the subarea where the well under section 601.b is drilled; and/or
- b. at the end of year 5 within the subarea where the well under section 601.b is not drilled.

The remainder of the exploration licence area shall continue to be covered by the licence until the end of year 8 of the exploration period and shall then be relinquished. In the calculation of the extent of the relinquishment under section 203a–b the areas delineated under sections 611 and 806 are excluded from the exploration licence area.

204. The licensee may, at any time after the end of the first subperiod during the exploration period, relinquish parts of the licence area exceeding what is indicated under section 203. Such relinquishment will not modify the exploration commitments for the second subperiod.

205. The exploration licence area shall after relinquishment after the first subperiod under sections 203 and 204 consist of contiguous entire subblocks, cf. section 202 and Appendix 3.

206. The licensee's proposal for relinquishment after the first subperiod under sections 203 and 204 shall be forwarded to MRA for approval not later than December 15 in the year in question. The

relinquishment will be effective as of the end of the calendar year in question. If proposals under section 203 are not received by such date, MRA may determine which parts of the exploration licence area shall be relinquished.

207. An exploitation licence area as referred to in section 806 will be excluded from the exploration licence area with effect from the issuance of the exploitation licence, cf. section 803.

208. If a licence area or parts thereof ceases to be under the sovereignty of the Kingdom of Denmark, the licensee shall respect such change of the status of the area and shall have no claim against the Danish State as a result of or in connection with such change of status. The Minister for Environment and Energy will use his reasonable efforts to cause the successor in sovereignty to the area to respect the rights of the licensee granted under the licence.

§ 3. Licence Period

301. The exploration licence is effective for an exploration period from the signing by the Minister for Environment and Energy to December 31, 2004. The period from the signing to December 31, 1997 will count as year 1 and the calendar years 1998–2004 will count as years 2–8, respectively. The exploration period is divided into 2 subperiods consisting of years 1–4 and 5–8, cf. however section 302.

302. The licensee may elect that the subperiods in section 301 are modified to consist of years 1–5 and 6–8, respectively, with regard to the subarea where the exploratory well under section 601.b is not drilled. Notice of such modification shall be forwarded to MRA not later than on December 15 in year 4.

303. The exploration period may be extended by the Minister for Environment and Energy by a maximum of 3 years at a time in accordance with article 11 subsection 1 of the Mineral Resources Act. Such extension may be effected for example if the licensee intends to continue exploration in the licence area, if an approved appraisal programme under section 610.c has not been completed at the end of the exploration period or if it has not been possible to prepare the material under section 802 within the exploration period. Applications for extensions shall be submitted to MRA not later than 3 months before the expiry of the exploration period. Extensions will be granted as addenda to the licence.

304. The licensee may surrender the exploration licence effective as of the end of any year of the exploration period provided all exploration commitments in the subperiod, in which the surrender is effected have been fulfilled. Notice thereof shall be forwarded to MRA not later than December 15 in the year in question.

305. The licence will as indicated in sections 801–806 be extended for exploitation by the Minister for Environment and Energy for a period of 30 years (the exploitation period) for parts of the exploration licence area. Extensions may be issued separately for one or more areas.

306. The exploitation period may be extended by the Minister for Environment and Energy in accordance with article 11 subsection 3 of the Mineral Resources Act, but cannot exceed 50 years.

307. The licensee may surrender an exploitation licence with 12 months' notice to MRA provided the abandonment activities have been completed in accordance with sections 1701–1708.

§ 4. Licence Fees

401. The licensee shall pay a fee of 200,000 DKK to MRA at the granting of the exploration licence, cf. article 7 subsection 6 of the Mineral Resources Act.

402. The licensee shall pay a fee of 100,000 DKK to MRA at an amendment of a licence such as, for example, an extension of a licence according to sections 303 and 306, and an approval of a transfer of a licence pursuant to section 2301, cf. article 7 subsection 6 of the Mineral Resources Act. Approvals under section 2404 do not require payment of such fee.

403. For the exploration licence area the licensee shall pay an annual fee to MRA as indicated below, cf. article 8 subsection 1 of the Mineral Resources Act. The fee shall be paid not later than April 1 in the year in question. The fee shall be calculated proportionately for that part of a calendar year during which the licence is in force. The annual fee will be calculated as follows:

- a. Years 1–2: 2,000 DKK per subblocks per calendar year.
- b. Years 3–4: 4,000 DKK per subblocks per calendar year.
- c. Years 5–6: 6,000 DKK per subblocks per calendar year.
- d. Years 7–8: 8,000 DKK per subblocks per calendar year.

If the exploration period of the licence is extended in accordance with section 303 an annual fee regarding such subperiod will be stipulated in the addendum to the licence.

404. The licensee shall pay a fee of 400,000 DKK to MRA at each extension of the licence for exploitation in accordance with sections 801–806, cf. article 7 subsection 6 of the Mineral Resources Act.

405. For each exploitation licence the licensee shall pay an annual fee of 2,000,000 DKK to MRA, cf. article 8 subsection 1 of the Mineral Resources Act. The fee shall apply regardless of the size of the exploitation licence area. The fee shall be paid not later than April 1 in the year in question.

For the first year the fee shall 'be paid within one month after the issuance of the exploitation licence calculated proportionately for that part of the calendar year during which the exploitation licence is in force.

406. The fees under sections 401–405 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.

407. The fees under sections 401–402 and 404 shall be paid upon 30 days' notice.

408. The fees under sections 401–405 do not qualify as exploration expenses under section 607.

§ 5. Activities of Other Parties in the Licence Area

501. 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 including activities in pursuance of section 502.

502. Within the licence area other parties than the licensee may

- a. be granted non-exclusive prospecting licences regarding hydrocarbons pursuant to chapter 2 of the Mineral Resources Act provided the licensee has given its consent to such prospecting licence being granted and provided a copy of the raw data (e.g. copies of seismic field tapes) actually collected by such other parties within the licence' area is forwarded to the licensee free of charge;
- b. be granted licences for prospecting, exploration or exploitation regarding other mineral resources than hydrocarbons pursuant to chapters 2 and 3 of the Mineral Resources Act;
- c. be granted approvals for construction and operation of pipelines, installations, infrastructure, etc. for the purpose of activities under the Mineral Resources Act.

The activities under section 502a–c shall be carried out in such way that the activities of the licensee under this licence are not unnecessarily impeded. Likewise, the licensee shall ensure that such activities by other parties within the licence area are not unnecessarily impeded.

§ 6. Exploration Commitments

601. Not for publication.

602. Not for publication.

603. Not for publication.

604. Not for publication.

605. If the exploration period of the licence is extended in accordance with section 303 exploration commitments or other types of work commitments regarding such subperiod will be stipulated in the addendum to the licence.

606. Until the calendar year in which the exploration commitments specified in sections 601 and 604 are completed, the exploration expenses specified in sections 601 and 604 for the fulfilment of the specified exploration work will be adjusted each year on the basis of the increase (or decrease) of the Danish Consumer Price Index from January 1997 to January in the actual year.

607. The exploration commitments in sections 601.a, 601.b, 601.c, 604.a and 604.b are fulfilled either when the specified exploration work has been performed or when an amount equivalent to the specified exploration expenses (including indexing) for the subperiod in question has been spent. Only exploration expenses fulfilling the following two conditions qualify as fulfilment of the exploration commitments specified as amounts under sections 601.a, 601.b, 601.c, 604.a and 604.b:

- a. the expenses shall relate to the exploration work specified in sections 601a–c and 604a–b;
- b. the expenses shall be duly recorded on the Joint Account under the Joint Operating Agreement and shall not include administration and overhead or other expenses excepted in the licence.

An exploration expense held as fulfilment of the exploration commitments in sections 601 and 604 qualifies for the subperiod in which the exploration work has been carried out. Expenses relating to work extending over more than one subperiod shall be divided between the subperiods in question based on the work performed.

608. The licensee shall each year not later than April 1 – as part of the reporting under section 1801 – submit to MRA an account of the exploration expenses qualifying under section 607 during the previous calendar year specified in relation to each of the exploration commitments under sections 601.a, 601.b, 601.c, 604.a and 604.b. All expenses are subject to MRA's approval. MRA may request further documentation. Exploration expenses defrayed in other currencies than USD shall be converted to USD using a conversion procedure which is approved by MRA.

609. Exploratory wells drilled during the first subperiod in excess of the exploratory wells under sections 601b–c may be credited against the exploration commitments in section 604 as regards the same subarea.

610. If a hydrocarbon discovery is made the licensee shall

- a. promptly notify MRA thereof;

- b. submit a report to MRA evaluating the discovery within 6 months after the completion of the discovery well;
- c. if the licensee wants the discovery to be further evaluated, then submit a programme to MRA for the further work which, in accordance with good international oilfield practice under similar circumstances, is required for an appraisal of whether a commercially exploitable hydrocarbon deposit exists (an appraisal programme).

The appraisal programme shall include a timetable for the work which aims at establishing the necessary basis for submitting a declaration concerning the commerciality of the hydrocarbon deposit prior to the expiry of the exploration period. The appraisal programme shall be revised on the basis of the results obtained. The appraisal programme and changes to such programme are subject to MRA's approval. The appraisal programme does not qualify as fulfilment of the exploration commitments in sections 601 and 604.

611. During the planning and execution of an appraisal programme in accordance with section 610 and after completion of the programme the licensee is entitled to delineate a reasonable number of contiguous subblocks surrounding the discovery well covering the area of the expected hydrocarbon' deposit (an appraisal area). The delineation of such appraisal area is subject to MRA's approval. If the exploration licence during the entire second subperiod is limited to appraisal areas the licensee shall not be obliged to drill exploratory wells under section 604.

612. If the licensee does not fulfil the exploration commitments specified in sections 601 and 604, the licence may for areas not covered by either an appraisal programme or an exploitation licence be revoked by MRA with effect from the end of that subperiod, for which the exploration commitments have not been fulfilled. If at the end of the first subperiod the exploration commitments under section 601 have not been fulfilled MRA may, upon application from the licensee, extend the first subperiod with a period of up to 1 year, however without prolonging the entire exploration. period in section 301', provided such extension in MRA's opinion is justified.

613. The exploration commitments specified in sections 601b–c and 604 consist exclusively of exploratory wells. Other types of exploration activities including seismic activities and appraisal wells, delineation wells, production wells and other non-exploratory wells do not qualify as fulfilment of the exploration commitments in sections 601b–c and 604. The same applies to investigations including, those under sections 702–703 and construction of development and production facilities, installations, etc. unless approved by MRA. However, MRA may in advance approve that further drilling from an appraisal well will count as an exploratory well.

614. In case the licensee has not fulfilled the exploration commitments for the first subperiod and provided that the exploration licence has not terminated, the licensee is obliged to carry out the non-fulfilled exploration commitments during the second subperiod in addition to the exploration commitments in section 604.

615. In case the licensee has not fulfilled the exploration commitments for a subperiod (including any exploration commitments transferred under section 614). and provided that the exploration licence has terminated, the licensee shall upon MRA's request pay a compensation to MRA equivalent to the sum of the differences between the following amounts, calculated for each of the non-fulfilled exploration commitments under sections 601.a, 601.b, 601.c, 604.a and 604.b:

- a. the exploration expenses specified in sections 601a–c and 604a–b for each of the non-fulfilled exploration commitments; and
- b. the exploration expenses approved by MRA under section 608 with respect to each of the exploration commitments in question.

Payment of such compensation shall be made not later than 3 months after MRA has requested this. After payment of such compensation the licensee has no other obligations regarding the non-fulfilled exploration commitments apart from the obligations under section 1701 and the reporting under section 1801.

§ 7. Technical and Environmental Studies regarding Exploration and Exploitation

701. During drilling and production operations including transportation of hydrocarbons produced from the licence area the licensee shall have established a contingency plan for oil spills from the activities, based on physical and biological data regarding the areas which may be affected, if necessary acquired through studies carried out by the licensee, cf. also section 1502.

702. In connection with an appraisal programme under section 610.c the licensee shall initiate technical and environmental studies as a basis for evaluations regarding a possible exploitation of the specific deposit.

703. If the results of the exploration including appraisal programmes lead to the licensee initiating pre-feasibility or feasibility studies regarding production, storage and transportation of hydrocarbons, the licensee shall conduct those technical and environmental studies that are necessary for the evaluations by the licensee and MRA regarding their respective tasks, cf. sections 802.b and 808.b.

704. Prior to initiation of studies under sections 701–703 a programme for such studies shall be discussed with MRA with respect to objectives, content, planning, execution, timetable, etc. MRA is entitled to monitor such studies and the licensee shall submit to MRA periodic reporting on their results, etc.

§ 8. Extension of the Licence for Exploitation

801. If the licensee has found and prepared a proposal for delineation of commercially viable hydrocarbon deposits which the licensee intends to exploit and provided the terms of the licence have been complied with, the licensee, cf. however article 7 subsection 3' of the Mineral Resources Act, is entitled to have the licence extended for exploitation under article 11 subsection 2 of the Mineral Resources Act. The licence will be extended for exploitation as indicated in sections 802–806.

802. Based on the results of one or more appraisal programmes, cf. section 610.c, and a proposal for delineation of one or more hydrocarbon deposits, the licensee may submit to MRA a request for extension of the licence for exploitation as regards the deposit or deposits in question. The request shall be accompanied by

- a. A declaration that the deposit or deposits are commercially viable and that the licensee intends to exploit these deposits.
- b. A feasibility study of the deposits in question on which the declaration is based. The feasibility study shall contain a description and an evaluation of the deposits with respect to geology and reservoir technology and a specification of the assumptions as regards exploitation technology, economics, environmental matters and other matters which form the basis for the licensee's declaration.
- c. The licensee's proposal for delineation of the exploitation licence area based on the deposit or deposits in question, cf. sections 806a–d.

803. The extension of the licence for exploitation will be issued as an exploitation 'licence indicating the licensee, the exploitation period and the exploitation licence area, cf. sections 804–806, and otherwise stating that the exploration licence terms also apply to the exploitation licence.

804. The exploitation licence will be issued to a licensee, which is appointed by the licensee of the exploration licence and which fulfils the conditions in article 7 subsection 3 of the Mineral Resources Act, cf. also article 27 subsection 1 of the Mineral Resources Act.

805. The exploitation licence will be issued for a period of 30 years from the signing by the Minister for Environment and Energy, cf. section 305.

806. The exploitation licence area will be delineated by MRA by corner coordinates defined by degrees and undivided minutes~connected by longitudes and latitudes according to the following principles:

- a. The licence area will comprise the area in which according to the available seismic and drilling data commercially viable deposits have been demonstrated and delineated.
- b. The basis of the delineation under section 806.a will be the deposits and their extent in so far

as this, in the judgement of MRA, has been documented by the licensee in the material under section 802.b and taking into account the licensee's proposal under section 802.c.

- c. The licence area may consist of several subareas, each delineated as indicated above.
- d. Areas lying outside the exploration licence area cannot be included in the exploitation licence area, unless a licence for such areas is granted in accordance with article 7 of the Mineral Resources Act.

807. At the issuance of the exploitation licence and based on the material submitted under section 802 MRA will stipulate a time-limit for the licensee's submittal of a development plan etc., cf. section 808. The time-limit will be stipulated in such a way that the licensee has the necessary time for the preparation of the material.

808. Following the issuance of the exploitation licence, the licensee shall submit to MRA a development plan etc. consisting, of the following material:

- a. A development plan in accordance with article 10 of the Mineral Resources Act containing all necessary plans for the activities, including development, production, storage and transportation activities. This material shall include a time schedule for the licensee's development activities.
- b. An environmental impact assessment, prepared in co-operation with MRA, relating to the material under section 808.a. MRA may demand that such assessment is amended or expanded in it, in the opinion of MRA, is not sufficient.
- c. An abandonment plan in accordance with article 19 of the Mineral Resources Act. The plan shall include cost estimates for the abandonment activities, cf. section 1703.

809. Prior to commencement of development and production the plans indicated in section 808 shall have been approved in accordance with articles 10 and 19 of the Mineral Resources Act.

810. The licensee shall use its best endeavors to carry out the activities in the development plan in accordance with the approved time schedule.

§ 9. Unitization and Coordination

901. If a hydrocarbon deposit covers areas held by several licensees, said licensees shall reach agreement on unitization of exploration and exploitation regarding the deposit, cf. article 13 subsection 1 of the Mineral Resources Act. Agreements to such effect are subject to MRA's approval. If agreement on such unitization is not reached within a reasonable time, MRA may order such unitization and lay down the conditions to be applicable thereto including the apportionment of the deposit in question among the licensees. The conditions will be laid down with due consideration to all parties affected by the unitization.

902. If the licensees regarding two or more hydrocarbon deposits Covered by different exploitation licences wish to coordinate exploitation activities, agreements to such effect are subject to MRA's approval, cf. article 14 of the Mineral Resources Act. If MRA, for reasons of resources, economic aspects or the interests of the community finds that such coordination ought to be effected, MRA may, after negotiation with the licensees, issue orders to such effect. If the licensees have not within a reasonable time agreed on such coordination, MRA may lay down the conditions to be applicable thereto. In this connection a licensee may be ordered to make its processing, storage and transportation facilities available for such joint activity against payment. The conditions will be laid down with due consideration to all parties affected by the coordination.

§ 10. Processing and Transportation in Greenland of Hydrocarbons

1001. Whenever hydrocarbons produced in the licence area are present in Greenland, cf. section 101.a, the following activities shall, subject to section 2603, be carried out by the licensee or on its behalf as part of the activities under the licence:

- a. processing, if any, of such hydrocarbons for the purpose of transportation including liquefaction of natural gas; and
- b. transportation of such hydrocarbons including liquefied natural gas.

§ 11. Royalty

110.1 The licensee shall, subject to and in accordance with the provisions of sections 1162-1113, pay the following royalties to MRA on the aggregate production from all exploitation licences issued under this exploration licence:

- a. On oil/condensate the royalty-rate is 2% for the first 79.5 mill. m³ (approx. 500 mill. barrels) of oil/condensate which has been produced from the licence area and which has passed the valuation point(s) and 5% on the remainder of such oil/condensate.
- b. On natural gas the royalty-rate is 2% of the value of the natural gas which has been produced from the licence area and which has passed the valuation point(s) regardless of whether the natural gas is transported in a gaseous or liquefied state.

1102. The royalty will be calculated as follows:

- a. On oil/condensate on the basis of the royalty rates under section 1101.a multiplied by the quantities of oil/condensate measured at the valuation point and the unit value of the oil/condensate at the valuation point as determined in accordance with sections 1103-1104.
- b. On natural gas on the basis of the royalty rate under section 1101.b multiplied by the value of the natural gas at the valuation point as determined in accordance with section 1105.

1103. The unit value of oil/condensate used for the calculation of royalty shall for each quarter be determined as the average value per barrel for that quarter for Brent Blend crude oil free-on-board at Sullom Voe, calculated as specified below and suitably adjusted for quality and for location of the valuation point. The quarterly average value per barrel for Brent Blend crude oil shall be determined from the sum of the mean spot crude price quotations per barrel for dated cargoes (“Brent (Dtd)”) as published daily in Platt’s Oilgram Price Report for the relevant quarter, divided by the number of such daily quotations published for the quarter in question. In the event that spot crude price quotations of ‘Brent Blend crude oil cease to be published in Platt’s Oilgram Price Report or Platt’s Oilgram Price Report ceases publication, the licensee and MRA shall, as soon as is reasonably possible, jointly prepare an alternative, equivalent basis for the determination of the value of oil/condensate to be used for the royalty calculation. The average value per barrel for each quarter shall, after the value adjustments for quality and for location of the valuation point, be converted to DKK by using the average exchange rate for that quarter for USD. The average exchange rate shall be determined from the sum of the daily ex-change rates as published by the Danish Central Bank for the quarter in question, divided by the number of such daily exchange rates.

1104. With regard to the value adjustments for quality and location of the valuation point under section 1103, the licensee and MRA shall jointly prepare a calculation methodology and shall periodically discuss the need for a possible adjustment of this methodology. The main principles for these calculations shall be

- a. a comparison of the expected product netback yields from an upgrading refinery processing Brent Blend crude oil and processing oil/condensate produced from the licence area, respectively; and
- b. a comparison of appropriate transportation expenses from the valuation point and Sullom Voe, respectively, to the markets of most relevance.

1105. The value of natural gas for the calculation of royalty shall for each quarter be determined as the actual contracted sales value of the natural gas which has passed the valuation point as documented by the licensee and subject to the following provisions:

- a. If the sales price has been fixed on the basis of terms to the effect that the licensee shall bear all or part of the costs connected with transportation from the valuation point and/or shall bear costs connected with treatment downstream of this valuation point (“downstream costs”), then such downstream costs actually incurred by and documented by the licensee shall be deducted from the actual contracted sales value when calculating the value of natural gas.
- b. If (1) the purchaser under a sales contract for natural gas is an affiliate, or a sales contract is otherwise not an arm’s length transaction and (2) MRA is of the opinion that the actual contracted sales value for the contracted quantity does not correspond to the sales value which could have been obtained through an arm’s length transaction, the party(ies) in

- question participating in the licence and MRA shall, for the purpose of the royalty calculation, agree on an alternative valuation of the contracted quantity in question. Such valuation shall be based on sales prices obtained through arm's length transactions of a similar nature at the point in time when the sales contract was entered into.
- c. If (1) compensation paid to an affiliate constitutes an element of downstream costs, or downstream costs are incurred under an agreement otherwise not an arm's length transaction and (2) in MRA's opinion such compensation or downstream costs do not, correspond to the downstream costs which would have been incurred through an arm's length transaction the party(ies) in question participating in the licence and MRA shall, for the purpose of the royalty calculation, agree on an alternative valuation of the downstream costs for the quantity in question. Such valuation shall be based on arm's length transactions of a similar nature at the point in time when the agreement' concerning downstream costs was entered into, provided that such valuation shall give a reasonable compensation to the party providing such services.
- d. For the purpose of section 1105, an "affiliate" means a company or entity that (1) controls one or more of the parties participating in the licence., or (2) is controlled by the licensee or one or more of the parties participating in the licence, or (3) is controlled by a company or entity that controls a party participating in the licence. "Control" means the right to exercise, directly or indirectly, more than 50% of the voting rights at meetings of the company or entity' in question.
- e. For the purpose of section 1105, an "arm's length transaction" means a transaction made between independent parties acting as prudent and efficient marketers under the same or similar circumstances, the terms of the transaction not being affected, by any commercial relationship, other than that created by the contract of sale itself or the agreement under which the downstream costs are incurred, as applicable.
- f. The amounts under section 1105 shall be converted to DKK by using the average exchange rate for the currency in question for the month during which the natural gas has passed the valuation point and for downstream costs the month during which such costs are paid. The average exchange rate, shall be determined from the sum of the daily exchange rates as published by the Danish Central Bank for the month in question, divided by the number of such daily exchange rates.

In connection with a development project regarding natural gas MRA may, after consultation with the licensee, stipulate procedures, consistent with the licence terms for the licensee's submittal of information to MRA and MRA's calculation of royalty under section 1105.

1106. If agreement cannot within 4 months be reached between the licensee and MRA at the discussions under sections 1103-1105 based inter alia on information and documentation submitted by the licensee under section 1107, each of the parties may submit the matter for arbitration, cf. sections 2902-2906. In case of disagreement between the parties in the situations under section 1103 (third full

stop), section 1104 (first full stop), section 1105.b (first full stop) and section 1105.c (first full stop) a provisional royalty shall be paid according to MRA's calculation as presented at the discussions. Notwithstanding section 2901, in the situations under section 1105.b-c, the board of arbitration will be empowered to decide whether a transaction qualifies as an arm's length transaction or not. When determining the valuation in the matters under section 1105.b-c the board of arbitration shall base its decision on the principles indicated in the last full stop of sections 1105.b and 1105.c, respectively. When an agreement or an arbitration decision exists, final calculation of royalty for the period in question shall be made by MRA. MRA shall refund the licensee the amount of any overpayments and the licensee shall pay MRA the amount of any underpayments. Overpayments shall be subject to interest, at the rate stipulated in section 2501, calculated from the date the original royalty payment(s) was paid until the date the refund is paid. Underpayments shall be subject to interest, at the rate stipulated in section 2501, calculated from the date the original royalty payment(s) was due until the date the amount of the underpayment is paid.

1107. The licensee shall, for the purpose of the royalty calculation, forward information to MRA as follows:

- a. Information on the quantities and qualities of oil/condensate and natural gas which have passed the valuation point during a calendar month shall be forwarded monthly not later than 15 days after the end of the calendar month. Determination of the quantities and qualities of oil/condensate and natural gas shall be undertaken using the generally accepted methods and equipment within the petroleum industry. Such methods and equipment are subject to MRA's approval.
- b. Other information of relevance to the calculation of royalty shall be forwarded monthly not later than 15 days after the end of the calendar month and, upon MRA's reasonable request, other information and documentation regarding the matters under section 1105. Such information and documentation shall be kept confidential by MRA, subject however to applicable law.

1108. Royalty will be calculated by MRA in accordance with sections 1101-1107. MRA shall inform the licensee about the calculated royalty for the quarter in question.

1109. If the licensee disagrees with MRA's calculation of royalty under section 1108 (except the calculations according to section 1106) and wants to exercise its rights under sections 2902-2906 then notice thereof shall be given to MRA within 3 months following the date of the licensee being informed of MRA's royalty calculation, however without postponement of the duty to pay the royalty calculated by MRA.

1110. Royalty is payable quarterly in DKK and shall be paid to MRA not later than 2 months after the end of the quarter during which the hydrocarbons have passed the valuation point. However, royalty is not required to be paid earlier than 15 days after the date of the licensee being informed of MRA's royalty calculation, cf. section 1108.

1111. MRA may demand on 6 months' notice that the royalty under section 1101.a shall be paid, wholly or partly, in the form of oil/condensate. The licensee shall make the quantity of oil/ condensate required for payment of the royalty available and conditioned in the same way as the rest of the production, at a point of delivery specified by MRA. The licensee's reasonable costs of transportation between the valuation point and the point of delivery shall be reimbursed by MRA.

1112. If the licensee demonstrates to the satisfaction of MRA that the licensee's exploitation activities cannot be undertaken at a cost level, including royalty, taxes and duties, which permits competitive deliveries of hydrocarbons to the world market with a profit margin for the licensee which is reasonable considering the character of the activities, at the request of the licensee the Minister for Environment and Energy will, subject to agreement with the Greenland Landsstyre, negotiate with the licensee concerning a possible reduction of or exemption from royalty.

1113. Following negotiations under section 1112 the Minister for Environment and Energy will, subject to agreement with the Greenland Landsstyre, finally determine the question of a possible reduction of or exemption from royalty and the period during which such reduced royalty-rate or exemption therefrom shall replace the royalty-rate under section 1101.

§ 12. Participation by Nunaoil A/S in the Exploration and Exploitation Activities

1201. Nunaoil A/S shall participate in the exploration licence and in exploitation licences with a percentage of 15% as specified in sections 1202-1204, however with possible changes of the size of the percentage in accordance with the terms of the Joint Operating Agreement and section 2301.

1202. In the exploration licence Nunaoil A/S shall have the rights and obligations under the licence in proportion to its percentage, but Nunaoil A/S's share of costs, expenses, obligations, and liabilities regarding activities under the exploration licence including expenses for the fulfilment of obligations and terms stipulated in the licence or pursuant to the licence, shall be borne solely by the other parties participating in the licence ("carry") subject to the exceptions from this established in sections 3.9.2.a, 3.13.4, 3.15.3.a, 3.16, 7.5.5, 9.2.4, 10.2.1 and 11.3.3 of the Joint Operating Agreement. However, the carry of Nunaoil A/S shall cease 120 days after MRA's receipt of an adequate request for an extension of the licence for exploitation as defined in section 802, or at the issuance of such exploitation licence, whichever comes first, with respect to activities concerning the area covered by such request or such exploitation licence, respectively.

1203. In an exploitation licence Nunaoil A/S shall participate on equal terms with the other parties participating in the licence with rights and obligations in proportion to its percentage.

1204. Regardless of sections 1202-1203 Nunaoil A/S shall not bear its percentage of costs, expenses, obligations, and liabilities regarding wells which for the purpose of evaluating or delineating the hydrocarbon deposit in question are carried out after the cease of the carry of Nunaoil

A/S under section 1202 (last full stop), provided they are spudded before approval of the development plan etc. under section 809, regardless of whether such wells are later used for production. Such costs, expenses, obligations, and liabilities shall be borne by the other parties participating in the licence.

1205. The Minister for Environment and Energy may, according to agreement with the Greenland Landsstyre, transfer the percentage of Nunaoil A/S in a licence to the Danish and Greenland authorities or to a company controlled by these authorities.

1206. The percentage of Nunaoil A/S in a licence may be transferred to other parties in accordance with the Joint Operating Agreement and section 2301.

1207. The licensee shall co-operate with Nunaoil A/S in order to develop the know-how and expertise of Nunaoil A/S. During the exploration period this co-operation shall be agreed upon on a case by case basis. During the development and production periods this assistance, takes the form of a co-operatorship for Nunaoil A/S to be defined in a separate Co-operation Agreement which will be an enclosure to the Joint Operating Agreement.

§ 13. Purchase of Nunaoil A/S's Production of Oil/Condensate

1301. At the request of Nunaoil A/S the other companies participating in an exploitation licence shall purchase all or part of Nunaoil A/S's percentage of the production of oil/condensate under the exploitation licence. Such request shall be forwarded with at least 6 months' notice and shall concern a specific period of at least 3 months. The hydrocarbons shall be purchased at a fair market price and on usual terms of delivery. The obligation to purchase shall be borne by each of the other companies in proportion to their percentage of the exploitation licence.

§ 14. Training Agreement

1401 A separate agreement on the licensee's assistance with respect to training, etc. of employees of Danish and Greenland authorities and institutions involved in the activities under this licence shall be signed by the licensee and MRA at the granting of the licence.

§ 15. Approvals etc. regarding Activities

1501. The licensee's activities shall be carried out in accordance with good international oilfield practices under similar circumstances.

1502. The licensee shall submit plans including oil spill contingency plans for activities including exploration, development, production, storage, transportation and abandonment activities for approval by MRA including the plans under section 808. An activity shall not be carried out until approval has been received. On giving approval MRA may determine that specific equipment and material may not

be used or that activities may not be carried out in specific areas and periods. Likewise, MRA may determine that the licensee shall carry out monitoring of biological and physical conditions regarding areas affected by the activities.

1503. The licensee is entitled to establish buildings, production facilities, installations, pipelines, storage and transportation facilities, etc. within and outside of the licence area provided they are approved by MRA, cf. articles 10 and 25 subsection 1 of the Mineral Resources Act. However, establishment of such buildings, production facilities, installations, pipelines, storage and transportation facilities, etc. onshore will, in addition to the approval by MRA, require a permit under the legislation on land use in Greenland.

1504. In accordance with article 24 of the Mineral Resources Act rules may be laid down governing the carrying out of activities comprised by exploration and exploitation licences within and outside of the licence area, including rules regarding technical, safety, environmental and resources aspects.

1505. 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 minimize the risk of pollution and the risk of harmful effects on the environment within as well as outside of the licence area.

1506. 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 MRA, MRA may order the licensee to modify to the extent necessary the performance of such activities within a time-limit determined by MRA. If MRA deems it necessary, MRA may further order the licensee to suspend the activities, wholly or partly, until the licensee has carried through the necessary modifications. MRA may further order the licensee to remedy to a reasonable extent environmental damages, if any, which are covered by the licensee's liability under section 2601 within a time-limit determined by MRA.

§ 16. Inspection

1601. MRA undertakes inspection of the licensee's activities under the licence and may appoint other parties to carry out the inspection. The inspection personnel 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 shall have access at any time to all parts of the activities without a court decree to the extent required to enable them to carry out the inspection.

1602. The inspection personnel may take out samples of geological material, which has been obtained as part of the licensee's activities.

1603. The 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. sections 1502-1506.

1604. The licensee shall pay reasonable expenses connected with the transportation of 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 the inspection personnel at the site and transportation in the licence area, if necessary. Such expenses qualify as exploration expenses under section 607.

§ 17. Obligations at the Termination of the Activities

1701. At the termination of the activities under the exploration licence or under an exploitation licence the licensee shall

- a. remove all buildings, production facilities, installations, pipelines, storage and transportation facilities, etc. within and outside of the licence area which have been established for the activities under the licence, except when the non-removal of these buildings, facilities, etc., has been approved by MRA in the abandonment plan or otherwise;
- b. carry out final clean up activities in the affected onshore areas and restore the terrain and vegetation to a reasonable extent as approved by MRA.

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 MRA such measures may be carried out at the licensee's expense and risk, cf. article 18 subsection 3 of the Mineral Resources Act.

1702. The abandonment plan under section 808.c shall be regularly updated and shall be revised in connection with substantial changes of the exploitation activities. Amendments to the abandonment plan are subject to MRA's approval, cf. article 19 subsection 4 and article 18 subsection 2 of the Mineral Resources' Act. MRA may with 12 months' notice request the licensee to submit a revised abandonment plan for MRA's approval.

1703. The abandonment plan under section 808.c shall include a plan for the financing of the abandonment activities including

- a. the accounting principles to be the basis for calculation of yearly provisions for this purpose; and
- b. principles for ensuring that the accumulated provisions are intact when abandonment activities are started.

The licensee's plan for the financing of the abandonment activities is subject to MRA's approval.

1704. As part of the reporting under section 1802 the licensee shall each year submit an account of the provisions made regarding the abandonment plan. The account is subject to MRA's approval.

1705. Discontinuation of exploitation activities for a period with the aim of later resumption of the activities requires approval by MRA in accordance with article 20 subsection 1 of the Mineral Resources Act, cf. also article 20 subsection 2 of the Mineral Resources Act.

1706. At the termination of exploitation activities abandonment activities shall be carried out by the licensee in accordance with the abandonment plan, cf. however section 1707. Prior to initiation the abandonment activities shall have been approved by MRA, cf. section 1502.

1707 The licensee is entitled, at any time prior to initiation of abandonment activities, to sell or otherwise transfer buildings, facilities, installations, etc. which have been established for the activities under the licence to other parties including Greenland or Danish authorities. Such sale or transfer is subject to MRA's approval and subject to such other parties undertaking the same abandonment obligations as the licensee's obligations unless a modification of these is approved by MRA. Buildings, facilities, installations, etc. for which a sale or transfer is approved under section 1707 are excluded from the licensee's abandonment plan.

1708. The provisions are the property of the licensee, but may only be used for abandonment purposes. If the costs of the abandonment activities are less than the accumulated provisions the remaining provisions are at the disposal of the licensee, when the abandonment activities are completed. If the costs of the abandonment activities exceed the accumulated provisions the excess costs shall be paid by the licensee.

§ 18. Reporting

1801. As regards activities under the exploration licence the licensee shall forward reporting to MRA regarding all geological, geochemical, geophysical, technical, environmental and other investigations which are carried out regarding the licence area, cf. section 1804. At MRA's request the licensee shall submit geological samples to MRA including split drill cores.

1802. As regards activities under an exploitation licence the licensee shall forward reporting to MRA in accordance with section 1804.

1803. If the licensee discovers mineral resources other than those covered by the licence, the licensee shall report this to MRA.

1804. MRA may lay down rules concerning the reporting of activities under a licence including reporting on economic matters and the types of data, interpretations and other information which shall be included in the reporting under sections 1801-1802 and of the form and media for submittal of such

data. MRA may demand further information from the licensee concerning the activities under a licence.

1805. All expenses regarding preparation and submission of reports and samples under a licence shall be paid by the licensee.

§ 19. The Licensee's Reimbursement of MRA's Expenses regarding Regulation

1901. As regards activities under an exploitation licence, the licensee shall reimburse MRA's expenses concerning regulation under articles 15-18 regarding these activities in accordance with article 25 subsection 5 of the Mineral Resources Act. After the issuance of an exploitation licence under sections 801-806 the licensee and MRA shall, based on the available knowledge of the planned development project, endeavour to reach agreement to substitute, for a specific period or for the entire exploitation period, the reimbursement under section 1901 with an increase of the annual fee under section 405.

1902. The expenses under section 1901 to be reimbursed by the licensee will be calculated and administered on the basis of rules which, after consultation with all licensees involved, are laid down by the Minister for Environment and Energy according to article 25 subsection 5 of the Mineral Resources Act.

§ 20. Confidentiality

2001. Any reporting submitted in accordance with sections 1801-1802 shall be treated as confidential by MRA for a period of 5 years from the date when the reporting was submitted to MRA. However, the period of confidentiality will terminate

- a. for areas relinquished under sections 203 and 204 at the relinquishment;
- b. for areas not covered by an exploitation licence at the expiry of the exploration licence;
- c. for an exploitation licence at the expiry of the licence.

2002. Regardless of section 2001 MRA is entitled to

- a. make general statements concerning the licence area and the activities under the licence based on the material submitted by the licensee;
- b. use and publish, without restrictions or conditions, data of an environmental, technical, navigational, meteorological and glaciological nature, including bathymetric maps, if this in MRA's opinion is considered to be in the general interest of the community, however excluding material in the process of being patented;

- c. use and publish material submitted by the licensee regarding general geological and geophysical conditions including generalized interpretations.

Prior to publication under section 2002.b-c MRA will give notice to the licensee.

§ 21. Personnel, Supplies etc

2101. The licensee shall in carrying out activities under a licence use its reasonable endeavours to employ manpower from Greenland or Denmark when employees are hired. However, to the extent necessary for its 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.

2102. The licensee shall in carrying out activities under a licence use its reasonable endeavours to assign contracts, sub-contracts, purchases 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.

2103. MRA may lay down rules and procedures regarding recruitment of personnel under section 2101 and regarding submission of information about the topics indicated in sections 2101-2102.

§ 22. Joint Operating Agreement

2201. The operating relationship between the, companies participating in the licence including Nunaoil A/S. shall be established by a Joint Operating Agreement which shall be signed by the parties within 4 months after the granting of the exploration licence.

2202. The Joint Operating Agreement and any amendment to or modification of the agreement is subject to MRA's approval.

2203. Den norske stats oljeselskap a.s. is operator for the licensee. Termination of such operatorship and appointment of a new operator requires MRA's approval.

2204. MRA is entitled to attend as an observer at the meetings of groups, committees and subcommittees established under the Joint Operating Agreement. MRA shall be summoned with the same notice and shall receive the same material as the members of such groups, committees etc.

§ 23. Transfer of a Licence

2301. A licence or parts hereof can neither directly nor indirectly be transferred to other parties unless the transfer is approved in accordance with article 27 of the Mineral Resources Act, cf. section 402.

2302. A licence cannot be attached by creditors.

2303. If a lender financing the licensee's development and exploitation of hydrocarbons makes it a condition of the loan that it shall be possible at a later time to transfer this licence or a percentage of it to such lender, the Minister for Environment and Energy may, in accordance with article 27 of the Mineral Resources Act, promise in advance that should the occasion arise the Minister for Environment and Energy will on specific conditions approve such transfer without amendments to the terms of this licence.

§ 24. Revocation of a Licence

2401. A licence may be revoked in the following situations, cf. article 28 of the Mineral Resources Act:

- a. If the licensee does not fulfil the exploration commitments under sections 601 and 604, cf. sections 612-615.
- b. If the licensee otherwise 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.
- c. If the licensee' acts fraudulently while submitting information to MRA.
- d. If one (or more) of the parties participating in the licence goes into liquidation or is declared bankrupt.

2402. Revocation pursuant to section 2401b is not to take place if the licensee has remedied the default within a time-limit stipulated by MRA. If the default has not been remedied within the time-limit, the licence may be revoked without further notice.

2403. If a default under section 2401a-b is caused by the licensee being rendered unable to meet such terms, etc. because of circumstances beyond the reasonable control of the licensee and which could not reasonably have been foreseen and/or reasonably overcome by the licensee (force majeure), the licence shall not be revoked due to such default during the period when performance is affected by force majeure, provided the licensee resumes activities in order to meet such terms as soon as possible and to the furthest possible extent. Lack of funds shall not be considered a circumstance of force majeure. If the licensee because of force majeure is unable, wholly or partly, to meet the terms, etc. under the licence the licensee shall promptly give written notice to that effect to MRA stating the nature, extent and expected duration of such force majeure.

2404. In the event of an occurrence referred to in section 2401d MRA intends to approve a transfer of the percentage of the party in question to one or more of the other parties participating in the licence provided the licensee continues to have access to the necessary expert knowledge and adequate financial background with respect to the activities under the licence. In that case the licence will not be revoked in pursuance of section 2401.d.

§ 25. Interest on Amounts Owed

2501. If the licensee does not pay royalty, fees or other amounts owing in time, the licensee shall pay an annual interest on the amount owing, corresponding to the prevailing bank rate of the Danish Central Bank with addition of 5%. The same applies to amounts which shall be paid to the licensee by MRA.

§ 26. Liability and Insurance

2601. The licensee shall pay compensation for damages caused by activities under the licence even if the damage is accidental and regardless of whom the damage affects, cf. however section 2603. If the person who has suffered damage has deliberately or by gross negligence contributed to the damage, the compensation may be reduced or annulled.

2602. The licensee's activities under a licence shall be covered by insurance including a third party liability insurance which at any time provides reasonable coverage of the potential insurance events, cf. however section 2603. The insurances are subject to MRA's approval.

2603. For the purpose of sections 2601-2602 transportation by ship of hydrocarbons produced in the licence area shall not be considered to be an activity under the licence.

2604. The licensee shall indemnify the Danish state and the Greenland Home Rule Authorities for all claims whatsoever which may be, made by any third party against the Danish State and the Greenland Home Rule Authorities as a consequence of activities under the licence provided the licensee has been given timely opportunity to defend such claims and that the case is determined by

- a. a settlement previously approved by the licensee; or
- b. a final judgement; or
- c. an arbitral award where the party making the claim had a right to arbitrate prior to the occurrence of the damage.

§ 27. Joint Liability and Guarantees

2701. If more than one party participate in the licence these parties are jointly and severally liable for the fulfilment of any obligation under the licence including the obligation to pay compensation for

damages caused by the activities under the licence, irrespective of the parties participating percentages in the licence.

2702. In order to ensure fulfilment of the licensee's obligations under the licence, the ultimate parent company of each company participating in the exploration licence except for Nunaoil A/S shall within 30 days following the granting of the exploration licence sign a declaration of guarantee to be approved by MRA. The guarantee declaration shall comprise fulfilment of obligations towards Danish and Greenland authorities as well as liability for loss and damages under section 2601. At approval of plans for the exploitation activities under section 808 MRA may with 6 months' notice request that the guarantee is changed or supplemented.

§ 28. Relationship to other Legal Requirements

2801 The licence is subject to the laws of Greenland and Denmark in force at any time. Accordingly, this licence shall not restrict the general right of the Greenland and Danish authorities to levy taxes or their authority to issue general provisions concerning more specific aspects of exploration and exploitation activities. 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.

§ 29. Arbitration

2901. Decisions, which according to stipulations of the licence depend on the judgement or resolve of the Minister for Environment and Energy or MRA, are not subject to arbitration. This stipulation does not exclude ordinary review by Danish courts.

2902. In any other case disputes arising between the Minister for Environment and Energy and the licensee regarding questions concerning the licence will be finally decided upon by a board of arbitration pursuant to sections 2903-2906.

2903. The board of arbitration shall consist of 3 members and will be seated in Copenhagen. In its decision the board of arbitration will apply Danish law.

2904. Of the 3 members of the board of arbitration, the Minister for Environment and Energy and the licensee will each appoint 1 member. The Minister for Environment and Energy and the licensee will jointly appoint the chairman of the board of arbitration. If a party has not appointed its member within 30 days after the date on which the other party has appointed its member, then this member shall be 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 shall be a Danish citizen.

2905. The board of arbitration shall make 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 party shall pay the expenses connected with the arbitration.

2906. The right to bring in a case before the board of arbitration pursuant to the licence will endure after its expiry.

§ 30. Obligations at the Termination of a Licence

3001. The licensee's obligations according to a licence which have not been fulfilled at the termination of the licence remain in force regardless of the termination.

3002. At expiry of the exploration licence at a point in time when no exploitation licence has been or is being issued under sections 801-806, or at expiry of an exploitation licence, MRA may within 1 year after the expiry of the licence take over, free of charge, all data, drill cores and other samples acquired by the licensee or on its behalf regarding the licence area. After this time-limit the licensee may at any time scrap such data, drill cores and other samples.

3003. MRA's option under section 3002 to take over data, drill cores and other samples may be postponed if an agreement is made between the licensee and MRA regarding a satisfactory storage and availability for third parties of the data, drill cores and other samples in question.

§ 31. Translations

3101. The exploration licence is in Danish and translations of this text have no validity.

Den norske stats oljeselskap a.s.

Minister for Environment and Energy

Phillip's Petroleum International Corporation Denmark

Dansk Olie- og Gasproduktion A/S

Nunaoil A/S

MINISTRY OF ENVIRONMENT AND ENERGY
 MINERAL RESOURCES ADMINISTRATION FOR GREENLAND
 uS/dh

Appendix 1
 Ref. No. 3441-02

Delineation of the Fylla licence area

The licence area is divided into two subareas:

- a. a western subarea of 6,842 km²;
- b. an eastern subarea of 2,645 km²;

which are delineated as follows:

1. The western subarea

From	64°18'N	56°00'W	(point A)
towards east to	64°18'N	54°42'W	(point B);
towards south to	64°02'N	54°42'W	(point C);
towards west to	64°02'N	54°48'W	(point D);
towards south to	63°54'N	54°48'W	(point E);
towards east to	63°54'N	54°42'W	(point F);
towards south to	63°38'N	54°42'W	(point G);
towards east to	63°38'N	54°30'W	(point H);
towards south to	63°16'N	54°30'W	(point I);
towards west to	63°16'N	54°48'W	(point J);
towards north to	63°22'N	54°48'W	(point K);
towards west to	63°22'N	54°54'W	(point L);
towards north to	63°24'N	54°54'W	(point M);
towards west to	63°24'N	56°00'W	(point N);
towards north to	64°18'N	56°00'W	(point A).

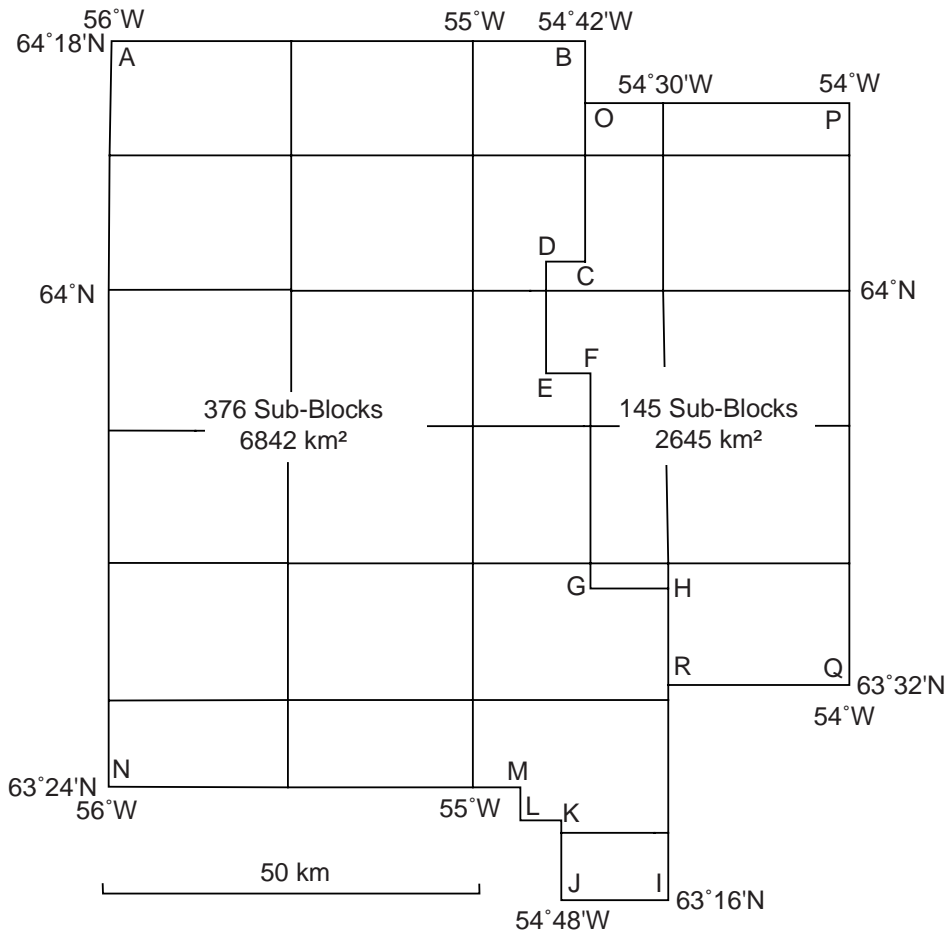
2. The eastern subarea

From	64°14'N	54°42'W	(point O)
towards east to	64°14'N	54°00'W	(point P);
towards south to	63°32'N	54°00'W	(point Q);
towards west to	63°32'N	54°30'W	(point R);
towards north to	63°38'N	54°30'W	(point H);
towards west to	63°38'N	54°42'W	(point G);
towards north to	63°54'N	54°42'W	(point F);
towards west to	63°54'N	54°48'W	(point E);
towards north to	64°02'N	54°48'W	(point D);
towards east to	64°02'N	54°42'W	(point C);
towards north to	64°14'N	54°42'W	(point O).

3. Corner coordinates

A:	64°18'N	56°00'W	J:	63°16'N	54°48'W
B:	64°18'N	54°42'W	K:	63°22'N	54°48'W
C:	64°02'N	54°42'W	L:	63°22'N	54°54'W
D:	64°02'N	54°48'W	M:	63°24'N	54°54'W
E:	63°54'N	54°48'W	N:	63°24'N	56°00'W
F:	63°54'N	54°42'W	O:	64°14'N	54°42'W
G:	63°38'N	54°42'W	P:	64°14'N	54°00'W
H:	63°38'N	54°30'W	Q:	63°32'N	54°00'W
I:	63°16'N	54°30'W	R:	63°32'N	54°30'W

Appendix 2: Fylla Licence Area



Appendix 3: Block System for Offshore Areas West Greenland

