

Government of Greenland
Bureau of Minerals and Petroleum

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Application for Licences for Hydrocarbon Exploration under the Open Door Procedure: Letter of Invitation

As authorised by the Government of Greenland and the Danish Minister for Environment and Energy and within the framework and terms of the Act on Mineral Resources in Greenland (the Mineral Resources Act), Act No. 335 of 6 June 1991 with later amendments, cf. Consolidated Act No. 368 of 18 June 1998, **an open door procedure for the above areas has been in force after 1 October 1999** and the Government of Greenland hereby invites applications for licences for exploration and exploitation of hydrocarbons under the Act.

Applications may be submitted each year **from 1 October to 31 May. Applications are to be submitted to the Bureau of Minerals and Petroleum (BMP), P. O. Box 930, DK-3900 Nuuk.**

1. Areas

Offshore areas

Areas offshore West Greenland offered for exploration and exploitation of hydrocarbons are situated between 60°N and 63°N and between 68°N and 71°N, with the exception of the area delineated by the following coordinates:

- 1: 71°00' N, 59°00' W
- 2: 71°00' N, 57°30' W
- 3: 70°50' N, 57°30' W
- 4: 70°50' N, 58°00' W
- 5: 70°30' N, 58°00' W
- 6: 70°30' N, 59°00' W

Onshore areas

Onshore areas for exploration and exploitation of hydrocarbons are offered in the Disko–Nuussuaq region in West Greenland and in Jameson Land, East Greenland.

The onshore Disko–Nuussuaq areas are delineated by the following coordinates:

- 1: 71°00' N, 55°00' W
- 2: 71°00' N, 53°00' W
- 3: 70°00' N, 53°00' W
- 4: 70°00' N, 55°00' W

The onshore Jameson Land area is delineated by the following coordinates:

- 1: 71°45'N, 25°00'W
- 2: 71°45'N, 22°20'W
- 3: 70°25'N, 22°20'W
- 4: 70°25'N, 25°00'W

The areas are shown on the attached map.

2. Outline of licence terms

Generally, licences will be granted for an exploration term of a maximum of 10 years with a right to a 30 year extension for areas where exploitation is initiated, cf. section 11 of the Mineral Resources Act.

For exploration in **West Greenland** the main principles of the licence terms are listed below.

- The publicly owned company, Nunaoil A/S, will hold an 8% share of all licences, with a carried interest in the exploration phase.
- The licensee shall cooperate with Nunaoil A/S in order to develop the know how and expertise of Nunaoil A/S.
- A royalty on oil of 1% for both oil and gas. The royalty is calculated on the income from sales of oil and gas with deduction of transport costs, if any, to the place of delivery to the buyer.
- A surplus royalty of 5% for oil and 1% for gas. The surplus royalty is calculated on the basis of the above royalty with deduction of operating and capital expenses of the Joint Account for the actual year, except for transport expenses. Operating and capital expenses occurred after the declaration of commerciality, which have not been deducted in surplus of former years, can be deducted. If the basis for calculation of the royalty has not been positive in any previous year such operating and capital expenses will give rise to a yearly addition of 6% plus the official discount rate of Nationalbanken (the Danish Central Bank).

The size of a licence area will depend on the present seismic coverage of the area. New licences may cover areas up to 2-3000 km². Relatively short subperiods may be a license requirement in order to advance exploration. At the end of each subperiod part of the remaining area shall be relinquished.

For the first subperiod work commitments may consist of seismic acquisition only followed by a drill or drop commitment before entering the second subperiod. Applications not offering a drilling commitment until the third subperiod may be accepted in special cases.

The fees payable for the licences are set out in section 7 below.

The detailed licence terms appear from the West Greenland Model Licence.

No Model Licence is presently available for exploration in Jameson Land, East Greenland.

3. Qualifications

In evaluation of applications for exploration and exploitation, emphasis will be placed on the following criteria:

- (a) That the applicant has the necessary knowledge and adequate financial background.
- (b) That the proposed work programme and the attendant documentation demonstrate the applicant's willingness and ability to explore thoroughly for hydrocarbons in the area comprising any licence awarded.

In addition, importance will be attached to any previously demonstrated lack of efficiency on the part of the applicant's non performance of obligations.

4. Procedure for handling of applications

Applications will be considered in the order they are received. Applications received during the period from 1 June to 30 September will be considered as having been received on 1 October. For applications received outside BMP's office hours (9.00 - 16.00 Greenland time which is GMT minus 3 hours) the next working day will be registered as the date of application.

Applications will be accepted from groups of companies as well as from individual companies. If several overlapping applications are received, and it is not possible to adjust the areas to comply with all of them, the above mentioned criteria will be used to select between the applicants.

5. Operatorship

It must specifically appear from applications from groups of companies which jointly apply for a licence which company is to undertake the operatorship. In addition to the criteria indicated in section 3 emphasis will be placed at the operator's qualifications and experience of the maintenance of a high level of security and protection of the environment.

6. Contents of the application

The application must contain the information set out below and must be divided into sections as listed in items (a) - (h):

- (c) For each applicant/participant in a group, the following must be stated: company name and address, name of contact person, as well as each individual participant's percentage share of the licences applied for.
- (d) For each applicant/participant in a group not already holding a licence in Greenland:
 - The legal form and place in which the applicant is incorporated (a transcript from the register of companies and a certified translation into Danish or English to be attached), the location of its headquarters, composition of the board of directors and management, capital base,

including size of share capital, the names and addresses of any shareholders holding at least one tenth of the share capital and the size of their holdings.

- The company's organization, group structure, relations to associated companies, hydrocarbon reserves and production, as well as refining and marketing activities.
- Financial data about each participant and its parent company, if any, and about the group of which the participant or its parent company forms part. Annual reports and accounts for the three previous financial years are to be enclosed for each participant, including for any parent company and/or the group. If the following information does not appear from the annual accounts, it should be disclosed separately: annual turnover, annual investments and annual net income after tax broken down by:
 - i: hydrocarbon activities
 - ii: other activities
 - iii: the participants' previous experience in exploring for and exploiting hydrocarbons
 - iv: the participants' previous experience in operations under physical conditions similar to those in the areas in question.

For applicants/participants already holding a licence in Greenland all new financial data of the company in question since the latest submission of similar information to the Bureau of Minerals and Petroleum must be forwarded.

- (c) In the event that the operator does not already hold an operatorship in Greenland, documentation must be produced attesting the qualifications of the party in question.
- (d) A drawing and/or map indicating which area(s) the application concerns, accompanied by a list of coordinates.
- (e) For each area, a description must be given of the work programme that is considered necessary to determine the hydrocarbon potential of the area or areas applied for, and which work the applicant undertakes to carry out. The work programme must indicate the proposed exploration activities and the attendant time schedule, see Appendix 3 to the West Greenland Model Licence.

A detailed account must be given of the prospects in the area applied for, including a description of the play concept(s) and an assessment of the likelihood of making discoveries, with an indication of the values for the individual risk parameters. Geological and geophysical maps and interpreted seismic lines should be attached.

- (f) The geological basis for selecting the area(s) applied for, including an outline of the applicant's data bank.
- (g) If there are any conditions in an area applied for that may give rise to safety hazards (poisonous gases, abnormal pressure conditions, etc.) This must be disclosed. In addition, the applicant must state how such hazards will be handled.
- (h) Applicants not already holding a licence in Greenland must submit documentation for their objectives and organization for environmental protection purposes, as well as their contingency plan for environmental emergencies and their previous experience in handling emergencies.

7. Fees

The following fees will be charged in connection with processing and granting a licence:

- 1) A fee of DKK 25,000 (twenty-five thousand Danish kroner) is to be paid on submission of the application.

Payment must be paid free of charge by cheque to the Bureau of Minerals and Petroleum or by money transfer to BMP's account in Bank of Greenland, (Grønlandsbank), P. O. Box 1033, DK-3900 Nuuk, Greenland, account no. 6471 100117-2.

The fee is non refundable. A copy of the receipt for the fee paid is to be submitted with the application.

- 2) Upon the granting of a licence, an additional fee of DKK 100,000 (one hundred thousand) is to be paid by the licensee as a whole, cf. section 4 in the West Greenland Model Licence.

8. Guarantee

In order to ensure fulfilment of the licensee's obligations under the licence, the ultimate parent company of each company participating in a licence shall within 30 days following the granting of the licence sign a declaration of guarantee to be approved by BMP.

9. Supplementary material

The following material is available from BMP for use in preparing an application and will be forwarded upon request:

- (a) Act on Mineral Resources in Greenland (the Mineral Resources Act) in Danish and an unofficial English translation.
- (b) Model Joint Operating Agreement.
- (c) Text of a Parent Company Guarantee (unofficial English translation).
- (d) GHEXIS Newsletters (Greenland Hydrocarbon Exploration Information Services) issued in 1998-99 by the Geological Survey of Denmark and Greenland (GEUS) and BMP.
- (e) "This is Greenland '99" The Official Directory. Country, products and services. Government of Greenland in co operation with the Royal Danish Ministry of Foreign Affairs.
- (f) Trade and Industry in Greenland. Greenland Resources, 1998. Series of booklets including:
 1. Climate, maps and statistics some geographical informations
 2. Geodata geological information
 3. Transportation and communication
 4. Setting up in Greenland rules and practical information
 5. Taxation of individuals and companies in Greenland

- (g) Furthermore supplementary material on law and regulation, tax, environment, ice conditions etc. is available from BMP; website: www.bmp.gl.
- (h) Information about the geology of the areas can be obtained from the Geological Survey of Denmark and Greenland (GEUS); website: www.geus.dk.

10. General

Applications are to be submitted in four (4) copies to **the Bureau of Minerals and Petroleum, P. O. Box 930, DK-3900 Nuuk**. The application must be written in Danish or English. Information regarding the applicant's business affairs will be treated confidentially by the authorities. However, BMP is entitled to pass such information, subject to the same duty of non disclosure, to other public authorities and BMP's consultants, as well as to communicate information of a general nature about the licences to the general public, e.g. in connection with official statements.

Licences will be considered and granted on the basis of the information contained in the applications. BMP reserves the right to request supplementary information for use in considering the applications. No applicant is entitled to receive information about other applications submitted or their contents.

Applications will be processed by BMP and will be presented to the Danish/Greenland Joint Committee on Mineral Resources in Greenland. The Joint Committee will submit their recommendation to the Government of Greenland and the Danish Minister for Environment and Energy who will decide on the granting of licences.

The authorities may decide not to grant a licence on the basis of any application received.

Yours Sincerely

Hans Kristian Schønwandt