

LICENSE to prospect for hydrocarbons

The Minister of Industry, having consulted the Ministry of Fisheries and the Ministry for the Environment, hereby grants InSeis, Kjørbokollen 30, Sandvika, Norway hereafter referred to as the licensee, a license to prospect for hydrocarbons. The license is granted on the basis of permission in Act no. 13/2001 on prospecting, exploration and production of hydrocarbons. The license is restricted to the area designated in Article 2 of this license and bound by the conditions set out in Act no. 13/2001 on prospecting, exploration and production of hydrocarbons and Rules no. 553/2001 governing the granting of licenses to prospect for hydrocarbons and the conditions set out in this licence.

This license is subject to the laws and regulations mentioned above, as well as other laws and regulations that at any time apply to prospecting for hydrocarbons.

Art. 1

License period

The license is valid for three years from the date of signature by the Minister of Industry.

The licensee may surrender the license at any time with notice in writing to the Department of Industry.

Art. 2

License area

The license covers prospecting for hydrocarbons within Icelandic territorial waters and economic zone and on the Icelandic continental shelf in accordance with Act no. 13/2001 on prospecting, exploration and production of hydrocarbons.

The license is not valid in areas for which an exclusive exploration or production license has been granted or may be granted at a later date under Act no. 13/2001 on prospecting, exploration and production of hydrocarbons, unless permission is obtained from the holder of the exclusive license and the Department of Industry.

The license covers an area bounded on the south by 67°N, on the west by 11°30'W, and on the north and east by the boundary of the Icelandic economic zone, cf. the attached map.

Art. 3

Scope of license

The license entitles the holder to prospect for hydrocarbons using the following methods:

1. Magnetic methods.
2. Gravimetric methods.
3. Seismic methods.
4. Heat-flow methods.
5. Radiometric methods.
6. Geochemical methods.
7. Geological sampling of the seabed without drilling.
8. Drilling for samples from the seabed to a depth of 25 meters below the seafloor.

The license includes a permission to drill for the purpose of obtaining information about general conditions for the formation and conservation of hydrocarbons. If prospecting includes drilling to a depth greater than 25 meters below the seafloor, a separate application shall be sent to the Department of Industry with such information as the Ministry deems necessary.

The license does not give the licensee a right to drill for hydrocarbons, produce hydrocarbons or priority to obtaining such a license later.

Art. 4

Environmental considerations

In prospecting the licensee shall make sure that activities do not cause danger or damage to persons or property. The licensee shall also make sure not to cause pollution or damage to the environment.

In case of prospecting using a ship, the licensee shall take the interests of the fishing fleet fully into account in carrying out the prospecting.

Art. 5

Inspection

Representatives of the National Energy Authority or other governmental authorities as decided by the Ministry of Industry are entitled to be present and monitor prospecting and other activities that fall under the license at any stage of the activities.

The representatives have a right to monitor all the activities of the licensee and demand from him information on all aspects of his activities under a licence.

The representatives are entitled to make use of the licensee's communication facilities as required.

The licensee shall cover all expenses incurred by the representatives for travelling, board and lodging as a result of the inspection.

Art. 6

Duty of notification

Notification of a planned prospecting survey

Every prospecting survey for hydrocarbons in or above Icelandic waters shall be notified to the National Energy Authority no later than 5 weeks before it starts.

A shipborne survey shall also be notified to the Icelandic Coast Guard within the deadline given in Para. 1. A notification shall include the following:

1. That the survey is aimed at prospecting for hydrocarbons according to a license.
2. Information regarding the licensee, the survey contractor, the survey ship and how these parties may be contacted.
3. Whether it is intended to make use of service or auxiliary vessels or aircraft in carrying out the survey.
4. Short description of the purpose of the survey.
5. Corner coordinates of the survey area.
6. Information regarding the minimum area required to operate the ship during surveying.

An airborne survey shall also be notified to the Icelandic Civil Aviation Administration and the Icelandic Coast Guard within the deadline given in Para. 1. A notification shall include the following:

1. That the survey is aimed at prospecting for hydrocarbons according to a licence.
2. Information regarding the licensee, the survey contractor, the survey aircraft and how these parties may be contacted.
3. Whether it is intended to make use of service or auxiliary vessels or aircraft in carrying out the survey.
4. Short description of the purpose of the survey.
5. Corner coordinates of the survey area.

6. Information regarding flight altitude during surveying.

In case of an aircraft carrying a special airworthiness certificate, the party responsible for it (owner/operator) shall send a copy of the certificate and of the aircraft's insurance certificate to the Icelandic Civil Aviation Administration within the deadline given in Para. 1.

The National Energy Authority may grant dispensation from the deadline given in Para. 1.

Notification that a shipborne prospecting survey is about to begin

A shipborne survey shall be notified to the National Energy Authority and the Icelandic Coast Guard. A notification shall include the following:

1. That the survey is aimed at prospecting for hydrocarbons according to a licence.
2. Name of licensee.
3. Name of contractor.
4. Name of ship.
5. Registry.
6. Radio call sign.
7. Inmarsat numbers for telephone, telefax and e-mail communications.
8. Nationality.
9. Type.
10. Date.
11. Time.
12. Position.
13. Last port of call prior to entering Icelandic waters (port and country).
14. First port of call after leaving Icelandic waters (port and country).
15. Estimated time and position of arrival in the survey area.
16. Information on planned portcalls in Icelandic ports (ports and estimated times of arrival).
17. Name and address of agent in Iceland.

If the survey is launched outside Iceland or is carried out with a foreign vessel, notification of the survey shall be given when entering Icelandic waters, i.e. at the outer boundary of the economic zone or at the outer boundary of the continental shelf where it extends beyond the economic zone. Otherwise, notification of the survey shall be given when leaving an Icelandic port.

A notification may include a request to the Icelandic Coast Guard to issue a warning about a planned survey to other vessels in the survey area.

Calls in Icelandic ports shall be notified to the Icelandic Coast Guard and other Icelandic authorities at least 24 hrs. in advance, preferably through the licensee's agent.

Notification that an airborne prospecting survey is about to begin

An airborne survey shall be notified to the National Energy Authority, the Icelandic Civil Aviation Administration and the Icelandic Coast Guard.

A notification shall include the following:

1. That the survey is aimed at prospecting for hydrocarbons according to a licence.
2. Name of licensee.
3. Name of contractor.
4. Registry.
5. Call sign.
6. Date.
7. Time.
8. Position.
9. Estimated time and position of arrival in the survey area.

If the survey is launched outside Iceland or is carried out with a foreign aircraft, notification of the survey shall be given when entering Icelandic waters, i.e. at the outer

boundary of the economic zone or at the outer boundary of the continental shelf where it extends beyond the economic zone. Otherwise, notification of the survey shall be given when leaving an Icelandic airport.

If the survey is to be conducted within the Icelandic flight information region (OCA/BIRD), a flight plan shall be submitted to the Icelandic Civil Aviation Administration no later than one hour before entering the region.

Notification of arrival and departure from a survey area

Arrival and departure of a survey vessel or aircraft and its service or auxiliary vessels or aircraft from a survey area shall be notified to the National Energy Authority. An airborne survey shall also be notified to the Icelandic Civil Aviation Administration and the Icelandic Coast Guard, whereas a shipborne survey shall be notified to the Icelandic Coast Guard.

The notification shall include the registry, call sign and position of the vessel or aircraft. In case of arrival in the survey area, the notification shall also include information on the planned movements of the vessel or aircraft during the next 24 hrs. In case of a shipborne survey, the notification may include a request to the Icelandic Coast Guard to issue a warning about the planned survey to other vessels or aircraft in the survey area.

Daily notification

Every day between 11:00 and 15:00 hrs. Greenwich meantime the position and planned movements of a survey vessel or aircraft during the next 24 hrs. shall be notified. Notification shall be given to the Icelandic Civil Aviation Administration and the Icelandic Coast Guard in case of an airborne survey, but to the Icelandic Coast Guard in case of a shipborne survey.

Art. 7

Reporting and submission of data

During a prospecting survey in a survey area, the licensee shall submit a weekly report to the National Energy Authority by telefax or electronic mail accurately summarizing the prospecting activities.

No later than two months after a prospecting survey has been completed, the licensee shall submit a survey report to the National Energy Authority. The report shall contain an accurate overview of the survey, including a description of the prospecting activities, prospecting equipment, data acquisition and taking of samples.

For every calendar year the licensee shall submit reports to the National Energy Authority on all geological, geophysical and geochemical investigations that have been made in the license area. The reports shall be sent to the National Energy Authority as soon as possible and no later than April 1 in the year after the investigations were made. The reports shall be accompanied by copies of data, analyses and results of data processing in accordance with more detailed instructions issued by the National Energy Authority. The licensee shall submit geological or geochemical samples to the National Energy Authority should the Authority so request.

The Minister of Industry may grant dispensation from the deadline given in Para. 3.

Should data that has been acquired under the licence be reprocessed, the licensee shall within two months from completion of the reprocessing submit a report on the reprocessing together with a copy of the reprocessed data to the National Energy Authority in accordance with more detailed instructions issued by the Authority. This obligation remains after a licence expires.

The licensee shall keep all original field data that has been acquired under the licence for at least one year after the license expires. Should the licensee decide to discard the original field data after this period, he shall offer the data to the National Energy Authority before it is destroyed.

The licensee shall submit to the National Energy Authority information as to whom reports or data according to this Article have been sold or handed over should the Authority so request.

The licensee shall fulfill all obligations according to this Article without charge to the National Energy Authority.

Art. 8

Confidentiality

Information submitted by the licensee in pursuance of Article 15 shall be treated confidentially for a period of 10 years from the end of the year that the data was acquired.

The provisions of Para. 1 do not prevent the National Energy Authority or other governmental authorities as decided by the Ministry of Industry from:

1. Disclosing information of a general nature in connection with public announcements, annual reports or the like concerning hydrocarbon activities.
2. Handing over information as part of cooperation with another state, provided that similar provisions for ensuring confidentiality of this information apply in the state in question.
3. Making use of information in order to increase understanding of the geology and resources of submarine strata.

Art. 9

Revocation of a license

The Minister of Industry may revoke the license if the licensee does not comply with the conditions set out in this license, Rules no. 553/2001 governing the granting of licenses to prospect for hydrocarbons or Act no. 13/2001 on prospecting, exploration and production of hydrocarbons. Prior to revoking the license, the Minister of Industry shall give the licensee notice in writing and a deadline for providing a remedy. If the licensee does not respond to such a warning, the license shall be revoked.

The license may be revoked if bankruptcy proceedings are taken against a licensee's estate or he is forced to seek agreement with his creditors.

Art. 10

Transfer of a license

This license cannot be transferred to other parties, nor can it be placed as collateral for financial obligations without permission from the Minister of Industry.

Art. 11

Liability

The licensee is liable for any form of damages arising from activities pursuant to this license, including environmental damage, irrespective of fault.

Compensation for personal injury, or for loss of consortium, may be reduced or not awarded if the injured or deceased party was partly responsible for the damage sustained, by way of intent or gross negligence. Compensation for property damage may be reduced or not awarded if the injured party was partly responsible for the damage sustained, by way of intent or gross negligence.

Compensation for environmental damage may be lowered or not awarded if the damage sustained is proven to be caused by a natural catastrophe or other unpreventable causes, without any fault on the licensee's behalf.

The provisions of Para. 1 - 3 do not in any way limit the right to compensation according to general rules of the law of tort.

The Minister of Industry may at his discretion require the licensee to provide a guaranty for the performance of his undertakings pursuant to this license, including possible liability for damages.

Art. 12**Application and license fees**

The licensee has paid an application fee of ISK 100.000 to the State Treasury.

The licensee shall pay a license fee of ISK 750.000 for each year that a licence is valid. The payment date of a yearly fee, due for the first time after this license is issued, is 15 days after the license is issued. The payment date of subsequent yearly fees is the last day of the first calendar month of the year of payment.

The license lapses if the license fee is not paid in due time.

Ministry of Industry, July 18 2001


Valgerður Sverrisdóttir


Atli Freyr Guðmundsson

