

THE FUTURE REGIME FOR OIL AND GAS ACTIVITIES IN THE DANISH PART OF THE NORTH SEA

Since 1962 Danish Underground Consortium (DUC) has been engaged in the oil and gas sector in the Danish part of the North Sea. DUC is a joint venture which presently consists of Shell (46 per cent), A.P. Møller - Mærsk A/S and Mærsk Olie og Gas A/S (APM) (39 per cent) and Texaco (15 per cent). The activities of DUC have been carried out on the basis of a Sole Concession which was awarded to APM in 1962 for a period of 50 years until 8 July 2012.

By an agreement entered into in 1981, the exploration and production rights to the major part of the Danish territory were handed back to the Danish State. However, APM retained the rights as regards all fields where commercial deposits had been found as well as regards a so-called "Contiguous Area". On the basis of public tenders, other companies have since then commenced operations in the Danish part of the North Sea, but DUC still accounts for approximately 90 per cent of the Danish production of hydrocarbons.

State revenue from the activities in the Danish part of the North Sea has been considered as unsatisfactory. Therefore, the Danish Parliament in February 2003 called upon the Government to start negotiations with APM on a settlement which might also include an extension of the concession. Following extensive and hard negotiations, a settlement has now been reached. The main elements of the agreements which have been adopted as part of the settlement are:

- **30-year extension of the Sole Concession until 8 July 2042.**
- **State participation** of 20 per cent (until 8 July 2012 as a 20 per cent profit share, thereafter as partner in DUC).
- **Changes to the Hydrocarbon Tax Act** increasing State revenue and removing major negative incentive effects of the Act. The new rules will apply to the area covered by the Sole Concession as well as to new licenses issued after 1

January 2004. Further, all existing licensees will be able to choose to be taxed in accordance with the new rules.

- **Royalties and oil pipeline tax**, which act as gross taxes on production, are abolished.
- **Compensation** to the DUC Partners for the effects of new or changed rules specifically affecting hydrocarbon producers in the Danish sector of the North Sea in order that the economic balance between the State and DUC be restored. Other existing licensees choosing to be taxed in accordance with the new rules will be offered compensation on similar terms.

The agreements considerably increase State revenue from DUC's activities with effect from 1 January 2004. The additional State revenue is estimated to amount to 2,4 billion DKK annually in the years 2004 - 2012.

Similar advantages - from the State's point of view - could only have been obtained by the introduction of general fiscal measures which would, however, have affected other licensees in a disproportionate way.

As regards the extension of the Sole Concession until 2042, this has been an indispensable condition on DUC's part, and the terms applying to the period after 2012 are on a par with the likely outcome of a public tender.

The extension of the Sole Concession is in accordance with directive 94/22, Art 13, which exempts an extension of this licence from the normal public tender procedure provided that the extension is granted "on the basis of objective and non-discriminatory principles". Not only have these conditions been fulfilled, but the settlement as a whole actually offers the Danish State considerable advantages over any alternative.

For a more detailed account of the background to and the contents and effects of the agreements, reference is made to the **enclosed memorandum** (with appendices 1 - 2).



MEMORANDUM
ON
THE AGREEMENTS CONCERNING THE FUTURE REGIME
FOR OIL AND GAS ACTIVITIES CARRIED OUT BY DANISH
UNDERGROUND CONSORTIUM IN THE DANISH PART OF
THE NORTH SEA

1. Introduction

The present memorandum has been prepared in order to inform the Commission of the agreement concluded on 29 September 2003 regarding the future regime for oil and gas activities carried out by Danish Underground Consortium (DUC) in the North Sea. DUC is a joint venture between Shell (46 per cent), A.P. Møller - Mærsk A/S and Mærskolie og Gas AS (hereinafter "APM") (39 per cent) and Texaco (15 per cent).

The said agreement (hereinafter "the 29 September-agreement") as well as those agreements, which have been concluded following the 29 September-agreement are attached as **appendix 1**

The Memorandum contains (**section 2**) a description of the background to the 29 September-agreement.

In **section 3**, the main elements of the 29 September-agreement and subsequent agreements are summarized. It is then explained in **section 4**, what the alternatives to the agreement would have been and why these alternatives would not have lead to satisfactory results.

Finally, in section 5, the relevant EU rules are commented upon with a view to explaining that the agreements are in full conformity with EU law.

References are made to a report to the Danish Parliament on the North Sea, which was presented by the Danish Minister for Economic and Business Affairs on 3 October 2003 (appendix 2 - hereinafter "the Report"). The Report contains a more detailed description of a number of those issues mentioned in the present memorandum, including an elaborate account of the financial consequences of the 29 September-agreement.

2. Background

Following years of fruitless search by foreign companies for oil and gas on Danish territory, APM started out activities in the sector in 1962. APM was awarded a "Sole Concession" covering the entire Danish territory (the continental shelf as well as land territories). The Sole Concession was awarded for a period of 50 years until 8 July 2012.

As APM was without any previous experience in the oil and gas sector, APM from the outset conducted their activities together with a number of foreign partners within the framework of DUC. The foreign partners, at the present time Shell and Texaco, obtain a relative share of the production of hydrocarbons and cover a corresponding share of the costs. Vis-à-vis the Danish State, the foreign partners are, however, not licensees. This is the reason why the 29 September-agreement and previous agreements appear as made solely between the Danish Government and APM though the agreements cover all DUC activities under the Sole Concession.

Oil was first found on the Danish continental shelf in the North Sea in 1966, and production commenced in 1972. Production of natural gas commenced in 1984 when the Danish natural gas network was set up by the state owned company

Dansk Olie og Naturgas A/S ("DONG") and a number of gas companies owned by regional authorities.

In 1981 an agreement was entered into between the Danish Ministry of Energy and APM, which meant that the exploration and production rights for the major part of the Danish territory were handed back to the Danish State in 3 steps. However, APM retained the exploration and production rights for all fields where commercial deposits had been found. Also, APM retained the exploration and production rights to a so-called "Contiguous Area" covering just under 2000 km². The exploration and production rights for a part of the areas are to be handed back to the Danish State in 2005, but APM will retain the rights as regards all fields where hydrocarbon is produced.

A number of other companies now operate in those areas relinquished by APM/DUC in accordance with the 1981-agreement.

Since 1984, five license-rounds have been held. In 1997, a so-called "Open Door Procedure" was also introduced for the less attractive Danish areas.

Production from areas outside APM's Sole Concession was commenced in 1998, and approximately 10 other companies now produce hydrocarbons in the Danish part of the North Sea. However, DUC still accounts for approximately 90per cent of the Danish production of hydrocarbons.

In certain respects, the terms of the new licenses differ from those applying to APM/DUC. In particular, the Danish State participates in all new licenses with a government share (via DONG) of normally 20per cent.

The total production value under the Sole Concession during the period 1962-2003 amounts to 309 billion DKK, and APM/DUC have generated a total profit of just above 166 billion DKK during the same period (2003 prices).

The state revenue generated from oil and gas activities under the Sole Concession during the period from 1962 - 2003 amounts to 78 billion DKK (2003 prices). The State revenue stems from the following sources:

- **Corporate tax.** 55 per cent of the state revenue. Corporate tax is stated separately for hydrocarbon activities in Denmark. This means that deficits from other activities cannot be deducted.
- **Hydrocarbon tax.** 1 per cent of the state revenue. The hydrocarbon tax was introduced in 1982 with the aim of taxing windfall profits. Basically, the base of the hydrocarbon tax is the same as that of the corporate tax, though with three important exceptions. Firstly, the income is stated for each field, meaning deficits from one field cannot be set off against profits from another field. Secondly, the corporate tax paid can be deducted. Thirdly, the companies receive a special hydrocarbon allowance on their investments. The allowance is 25 per cent per year over 10 years, i.e. a total of 250 per cent. The hydrocarbon tax is 70 per cent.
- **Oil pipeline tax.** 13 per cent of the state revenue. All oil producers pay an oil pipeline tax of 5 per cent of the production value of oil. For the DUC companies, the tax is laid down in the 1981-agreement. Other companies pay a similar tax in accordance with the provisions of the Oil Pipeline Act. The oil pipeline tax is deductible from the corporate and hydrocarbon tax base.
- **Royalties (production fees).** 31 per cent of the state revenue. Under the terms of the Sole Concession, the DUC companies pay royalties of 8.5 per cent of the total value of the oil and gas production. As regards all other licences, except the very small Lulita field, royalties are not payable. Royalties are deductible from the corporate and hydrocarbon tax base.

Historically, the total profit under APM's Sole Concession has been distributed with 47 per cent to the State and 53 per cent to DUC. However, in recent years the State share has been only 40 per cent (cf. table 2 of the Report). One of the main reasons why the State share of the total profit has not been higher is that the hydrocarbon tax introduced in 1982 has generated almost no revenue. This is mainly due to the special hydrocarbon allowance (cf. above).

Since 2000, the yearly revenue of the activities under the Sole Concession has amounted to approximately 22 billion DKK and the annual state revenue has been approximately 10 billion DKK. The annual profit for APM/DUC in the years 2004 - 2012 is estimated to amount to approximately 15 billion DKK.

Due to resources becoming gradually exhausted, forecasts show a clear reduction in hydrocarbon production levels after 2012 and, in particular, from 2020 onwards (cf. figure 1 of the Report). Due to the increased costs of recovering the last hydrocarbon deposits, profits will also become relatively lower over time. Therefore, out of an estimated total profit of 220 billion DKK (present value) under the Sole Concession during the period 2004 - 2042, a profit of 139 billion DKK is expected during the period 2004 - 2012, both years included (cf. table 4 of the Report).

The Danish Parliament decided on 20 February 2003 that the present distribution between the State, on the one hand, and DUC, on the other hand, of the total profit from the present and future activities in the North Sea is unsatisfactory. The Government was called upon to start negotiations in order to explore the possibilities of a settlement, which might include an extension of APM/DUC's concession.

3. The 29 September-agreement and Subsequent Agreements.

The 29 September-agreement was concluded as the result of extensive and hard negotiations between the Minister for Economic and Business Affairs and APM.

The main elements of the 29 September-agreement are:

- **30-year extension of the Sole Concession.** APM is granted an extension of the Sole Concession for the period from 8 July 2012 to 8 July 2042.
- **State participation.** From 1 January 2004 to 8 July 2012 inclusive the DUC Partners will pay an annual amount to the Danish State corresponding to 20 per cent of profit before tax and net interest expenses. With effect from 9 July 2012, the State will participate as partner in DUC with a share of 20 per cent. The State will not pay for the take-over of its share of the installations (platforms, processing facilities, pipelines, etc.).
- **Changes to the Hydrocarbon Tax Act.** The 29 September-agreement states that the DUC-partners are informed of and accept the following planned changes to the Hydrocarbon Tax Act: With effect from 2004, the special hydrocarbon allowance will be reduced to 5 per cent in six years instead of 25 per cent in ten years. As regards investments made before 1 January 2004, the annual hydrocarbon allowance will be reduced from 25 per cent to 10 per cent. The allowance will cease when the investment is ten years old. The hydrocarbon tax will be reduced from 70 per cent to 52 per cent. The field tax will be abolished with effect from 2004. Unused field deficits will be stated by the end of 2003 and will be deducted by 2.5 per cent annually for 2004 and 2005, and 6 per cent annually from 2006 to 2016. The remaining 29 per cent cannot be deducted, which is calculated to give the same result as if the limitations to each field had remained in effect. Abandonment costs will be deducted in the year in which they are paid. If the positive hydrocarbon income is not high enough to enable full utilization of the allowance when production ceases, the State will

reimburse the tax value of the unused allowance. However, the amount reimbursed cannot exceed the accumulated hydrocarbon tax payment less earlier reimbursements in connection with removals under the same provisions. The new rules will apply to the area covered by the Sole Concession as well as to new licenses issued after 1 January 2004. Further, all existing licensees will be able to choose to be taxed in accordance with the new rules.

- **Royalties and oil pipeline tax.** Payment of royalties under the Sole Concession will be cancelled as of 1 January 2004. The pipeline tax will be cancelled with effect from 9 July 2012. With effect from 1 January 2004, the pipeline tax will be set off against the hydrocarbon tax rather than the income basis of the hydrocarbon tax or the corporate tax. Unused allowances from one year can be carried forward to subsequent year(s).
- **Compensation.** The DUC Partners will be compensated for the effects of amendments to as well as new acts and other rules specifically affecting hydrocarbon producers in the Danish sector of the North Sea. The compensation will aim at restoring the economic balance between the State and DUC and cannot exceed the net benefit achieved by the State through the agreement. The compensation clause does not affect the general taxation right of the State.
- **Relations with DONG.** Any possibility of passing on the effects of the 29 September-agreement and related legislation to the State-owned company DONG following from certain provisions in contracts between DONG and DUC shall be relinquished.

The changes to the taxation system have a double aim: Both to increase the State revenue and to introduce a more modern and expedient tax system. Accordingly

the main deficiencies of the present tax system are significantly reduced (cf. also p. 13 of the present memorandum).

First, the hydrocarbon tax allowance on investments is reduced to a level where the negative incentive effects are small, and the increased tax base ensures that the desired tax revenue is actually obtained. Although the hydrocarbon tax rate is reduced, the net effect is that the hydrocarbon tax revenue will grow considerably. In addition, flexibility is enhanced by abolishing the field tax and solving the outstanding problems of tax allowances for removal costs.

Second, the production taxes (royalties and oil pipeline tax), which tend to diminish production from less profitable fields, are both essentially abolished and replaced by state participation with virtually no negative incentive impact.

Pursuant to the 29 September-agreement, the Minister for Economic and Business Affairs and APM have reached an agreement on the specific terms of the extension of the Sole Concession in the form of an addendum to the Sole Concession (part of appendix 1). Annexed to the addendum are agreements concluded on the calculation of the annual amount to be paid to the Danish State until 8 July 2012 (annex 2) and on the more detailed terms governing the compensation (annex 3 - hereinafter "the Compensation Agreement"). Finally, annex 4 lists those terms of the existing Sole Concession, which shall remain in force.

The main principles of the Compensation Agreement are as follows:

Compensation may only be claimed to the extent that changes of the state of the law specifically affect producers of hydrocarbons in the Danish territory, whereas general and non-discriminatory changes shall not entitle to compensation. It is not in itself considered discriminatory, that an amendment of general taxation rules has a greater economical impact on DUC than on others.

Clause 2, subclauses 3-6, of the Compensation Agreement contain non-exhaustive examples of legislative measures etc that shall or shall not entitle DUC to compensation. It follows explicitly from subclause 4 that the introduction of EU rules binding for producers of hydrocarbons also outside Danish territory, e.g. introduction of CO₂ quotas as a result of EU legislation, shall not entitle to compensation. It follows from subclause 5 that even though an amended or new act or rule is drawn up in such a way that its addressees are producers of hydrocarbons on the Danish territory alone, such act or rule shall not entitle to compensation where it is implemented as part of a more general and non-discriminatory regulation with a non-fiscal objective designed to regulate behavior, e.g. initiatives that are part of a general policy to protect the environment or to improve the rules on occupational health and safety.

Compensation shall be made for the total specific net effect for DUC in respect of as well increased burdens as relaxations due to such new or amended legislation and rules, which are taken into account in relation to compensation. Under certain conditions also relaxations due to amendments to general taxation rules may be taken into account.

The total compensation cannot exceed the net advantage obtained by the State under the 29 September-agreement from 1 January 2004 onwards. This net advantage shall be calculated as profit-sharing/net proceeds of State participation according to section IV of the 29 September-agreement and the value of non-utilization of possibilities of passing on the effects of the 29 September-agreement and related legislation to DONG, deducting the advantage that DUC obtain by the abolition of the royalties payable under the Sole Concession.

4. Alternatives to the 29 September-agreement?

The results of the negotiations with APM as contained in the 29 September-agreement and the further agreements referred to in section 3, are, in the opinion of the Danish Government, the best obtainable by way of a negotiated settlement. Any alternative would have to be carried out without the consent of APM/DUC.

A vital consideration for the Danish Parliament and the Danish Government has been to improve the State's revenue in the years 2004 - 2012, where the peak of production and profits will be reached.

As shown in table 3 of the Report, the 29 September-agreement is expected to lead to a distribution of the total profit under the Sole Concession with 61 per cent to the State and 39 per cent to DUC, as compared to the historic distribution of 43 per cent to the State and 57 per cent to DUC (in later years even 40/60). The additional State revenue is estimated to amount to 2,4 billion DKK annually (present value) in the years 2004 - 2012, cf. table 5 of the Report.

As also shown in table 3 of the Report, the improved State revenue is to a large extent due to the State participation of 20 per cent with effect from 1 January 2004.

State participation can only be achieved by agreement. Any "forced" State participation would constitute an expropriative measure, which would have entitled APM/DUC to full financial compensation in accordance with the Danish Constitution.

The only alternative way of increasing the State's revenue in the years 2004 - 2012 would have been the introduction of (severe) measures of a fiscal nature. However, such fiscal measures could not have been directed specifically at APM/DUC as this would also constitute an expropriative measure. Thus, fiscal measures would have had to be of a general nature, i.e. be applicable to APM/DUC as well as all other existing licensees.

All other existing licenses already include State participation of (at least) 20 per cent. Any fiscal measures leading to a distribution of the total profits under the Sole Concession comparable to the negotiated results would have affected other licensees in a disproportionate way.

The extension of the Sole Concession until 2042 has been an indispensable condition on DUC's part. Nevertheless, the Danish Government has carefully considered the possibilities of obtaining better terms after 2012 in the event of a public tender. The Government's conclusion is that - notwithstanding the advantages for the State obtained for the period 2004 - 2012 - the terms of the 29 September-agreement are on a par with the likely outcome of a public tender.

The agreed State participation of 20 per cent is identical to the State participation obtained in the latest Danish bidding rounds. In those concessions, the State has to pay its part of the costs whereas the State neither pays for the expensive production facilities established by DUC, nor participates in the costs of the extensive exploration already carried out. The bids received were even made under tax laws much more favorable to the bidders than the rules accepted by DUC.

Compared to the situation in Norway, the Netherlands and the UK, the combined average tax rate of 69 per cent (including state participation) is lower than the 80 per cent of Norway, in line with the 71 per cent of the Netherlands and considerably higher than the 36 per cent of the UK. These average tax rates are assessed on the basis of standardized "model" fields, which do not take into account geological and other physical differences, and the tax rates therefore do not reflect actual tax revenues. The combined average tax rate of 69 per cent for model fields under the Agreement is significantly higher than the 45 per cent under present conditions.

The likelihood of getting a better result in the years after 2012 by way of a public tender must therefore be considered as slim.

Furthermore, there are other advantages that could not be obtained without an agreement with APM/DUC.

As a consequence of the agreement, long-term and stable conditions are established for continued activities for exploration as well as for production of hydrocarbons. Investments in exploration for and exploitation of the resources can continue in an optimal way.

Without the agreement, it would have to be expected that investments in exploration would cease shortly as DUC would not have enough time to exploit new fields.

Most important, the agreement will make it possible for DUC to continue the development of new technology and to continue investments in and optimization of the production from the existing fields.

Without the agreement, investments would cease well before 2012 as the return of such investments would be gained after 2012. Moreover, the production would be stepped up in the time up to 2012, possibly making production after 2012 less attractive

With the agreement in place, investments can be made in time to safeguard the most optimal production from the existing fields. It is foreseen that the agreement will result in a higher ultimate recovery from the existing fields, compared to a situation without an agreement.

Different production scenarios, with and without an agreement, have been evaluated. They form the basis of the economic evaluations in the Report. For the

period 2004 - 2042, the middle scenario with the agreement amounts to a production of 357 million cubic metres of oil. For the same period, but without the agreement, a total production of 303 million cubic metres of oil was to be foreseen. Thus, the benefit of the agreement for the Danish State – expressed in extra production - amounts to 54 million cubic metres of oil.

The present hydrocarbon taxation as well as the oil pipeline tax and the royalties have negative effects on the activities.

The 250 per cent hydrocarbon allowance for investments combined with the standard allowance for investments of the common corporate tax implies that each investment of 1 DKK results in a tax rebate of more than 2 DKK – if the company pays (or should have paid) hydrocarbon tax. This provides a huge incentive to invest in order just to avoid paying hydrocarbon tax even though the investment is not profitable in pre-tax terms and therefore constitutes a waste for society. Historically the hydrocarbon tax has only given an occasional and small revenue. In addition, the present field tax restricts flexibility.

On the other hand the oil pipeline tax and the royalties act like a gross tax on production reducing private profitability. This provides an incentive to cease production from less profitable fields before it has reached the optimal level for society.

In conclusion, the present tax system contains strong incentives to invest too little in less profitable fields and invest too much in more profitable fields, compared to what would be the optimal level for society. The present tax system therefore limits total surplus and government revenue. These serious deficiencies are remedied by the Agreement.

5. Compatibility with EU rules.

Directive 94/22 (hereinafter "the Concession Directive") contains the following explicit provision in article 13:

"The provisions of Articles 3 and 5 shall not apply to new authorizations granted by Denmark before 31 December 2012, in respect of the areas which are relinquished on 8 July 2012 upon expiry of the authorization issued on 8 July 1962. The new authorizations shall be granted on the basis of objective and non-discriminatory principles."

It is therefore not necessary to consider whether article 3, paragraph 5 c, would also be applicable.

The only relevant question is whether the extension of the Sole Concession has been granted "on the basis of objective and non-discriminatory principles".

As explained in sections 3 and 4, the settlement with APM/DUC taken as a whole offers the State considerable advantages over any alternative. In the Government's opinion, the evaluation must be made on the totality of the agreed terms, i.e. including the Government's vital interest in increasing the State revenue and introducing a modern tax regime with effect from 2004.

Even if the terms for the period after 2012 are considered separately they are fully within the likely outcome of a public tender taking into account the outcome of former Danish bidding rounds and the terms applied in UK, NL, and Norway for comparable areas.

The only feature of the 29 September-agreement, which might, at first glance, appear "unusual", is the Compensation Agreement. However, that agreement must be seen in the light of the special situation at hand.

It is a commonly accepted principle in contract negotiations that one party shall not have the right to increase the burden of the other party without offering just compensation. In the semi-contractual relationship of a concession the State remains, however, free to introduce new legislation within the limits of the Constitution. These limits do not prevent increased taxation and other general legislative measures.

Normally, taxation etc. will be of such general nature that the democratic political process will ensure a just and equal result.

APM/DUC have argued that their position is so unique that the State might introduce new legislation which falls within the limits of the Constitution, but in fact changes the economic balance agreed in the 29 September-agreement.

The Government has accepted the fact that APM/DUC would not have accepted the substantial increase of the financial burdens if the Danish State would impose further specific financial burdens on them by way of legislative measures.

The effect of the Compensation Agreement is limited so that compensation will never exceed those financial benefits which the Danish State has obtained on the basis of the 29 September-agreement.

It has been decided that other existing licensees shall be offered a compensation agreement on similar terms. It is, however, a condition that they choose to be taxed in accordance with the same new rules that will apply to DUC with effect from 1 January 2004.

All terms and conditions for the extension of the APM/DUC concession are thus in accordance with article 13 of the Concession Directive.

For the same reasons there are no State aid problems involved. APM/DUC have agreed to a considerable increase in the State's share of profits.

The Government has acted in full compliance with normal commercial behaviour and has obtained not only the necessary amendments to the terms for the period 2004 - 2012, but also terms for the period after 2012 which are at least at a par with those which could be expected in case of a public tender.

29 September 2003

Agreement
between
the Minister for Economic and Business Affairs
and
the Concessionaires in accordance with Sole Concession of 8 July 1962 to
explore for recover hydrocarbons from the Danish subsoil

Unofficial translation

The Minister for Economic and Business Affairs, as the first party to the Agreement, and A.P. Møller – Mærsk A/S and Mærsk Olie og Gas AS (the “Concessionaires”), as the second party to the Agreement, have agreed to extend A.P. Møller – Mærsk’s Sole Concession up to and including 8 July 2042 with the below amendments to the Sole Concession to explore for recover hydrocarbons from the Danish subsoil, cf. Ministerial Order no. 372 of 7 November 1963, with accompanying protocols and agreements (hereinafter collectively called the “Concession”), which shall subsequently apply as amended.

The object of the Agreement shall be to create stable and, long-term conditions for the Concessionaires’ and their partners’ exploration and production activities and at the same time to ensure a robust distribution of the values from the activities in the North Sea between the Danish State and the Concessionaires and their partners.

The Agreement shall have the following contents:

I. Extension of the Sole Concession until 2042

The Concessionaires shall be granted an extension of the Licence for the period 1 January 2004 to 8 July 2042. As from 9 July 2012, the Danish State will become a partner in DUC with a share of 20 per cent, cf. Clause IV.

The present cooperation between the parties in DUC will continue.

Section 2 (6) of the 1962 concession shall be updated to the effect that the continuance of production or other activities shall be decided for each individual production or injection system or sub-system based on an evaluation of whether the activities can be performed on an economically viable basis for both the Danish society and the Concessionaires. In the event of any disagreement in this respect, the dispute shall be settled by arbitration.

II. Acreage

The Concession shall entitle the Sole Concession to continue exploration and production of hydrocarbons in the areas covered by the present Sole Concession as at 31 December 2003. The present agreements on the relinquishment of areas shall remain in force, except for the relinquishment in 2012. This shall have the effect that, as at 9 July 2012, the Concession will cover all the areas that are available at this date in accordance with the 1962 Concession.

Unofficial translation

To the extent to which the fields in the contiguous area have not yet been delineated, this shall take place in connection with the area relinquishment in 2005.

Areas covered by the Concession shall be relinquished to the Danish State field by field to the extent that production is ceased, irrespective of whether the platforms, pipelines, etc. are to remain in operation. However, such relinquishment shall only take place if it can be effectuated without this having a negative impact on the Concessionaires' ongoing activities.

In the future, in addition to the annual report to the Danish Energy Authority on future oil and gas production, the Concessionaires shall outline the plans for the future shutting in of fields.

If the Concessionaires no longer wish to operate an individual platform, group of platforms or pipeline installation, and the Concessionaires have not been able to sell the installation(s) in question with accompanying rights and obligations on commercial terms within a period of 18 months (unless extensions are granted), the rules on abandonment shall apply. In the event of any disagreement in this respect, the dispute shall be settled by arbitration. Assignment of concessionary rights shall observe the rules on such assignment in force from time to time.

If all production ceases before 8 July 2042, the Concession shall terminate concurrently with this.

III. Work Programme, Exploration and Development

The obligations to continued exploration shall be based on the applicable provisions of the 1981 Agreement. The present exploration work programme shall continue. Following negotiations with the Concessionaires based on a proposal from the Concessionaires, the Danish Energy Authority will approve a work programme for 6-year periods. The work programmes shall be determined for the coming 6-year period every third year.

In accordance with generally accepted practice, the work programme shall contain the obligations that the Concessionaires shall meet vis-à-vis the authorities regarding a professional exploration programme aimed at ascertaining whether there are exploitable deposits of hydrocarbons. This shall be based on the interest of the Danish society in effective exploration activities on a basis that is economically viable for both the Danish society and the Concessionaires.

Correspondingly, the Concessionaires shall endeavour, on a basis that is economically viable for both the Danish society and the Concessionaires, to continue to further the production of oil and gas from the Danish North Sea, using the most effective technology available and with continued optimisation of the production.

In the event of disagreement about the scope or content of the work, the dispute shall be settled by arbitration. Complaints about the supervisory authority's decisions in accordance with applicable legislation shall observe the general public administrative rules.

IV. State Participation

As of 1 January 2004 up to and including 8 July 2012, the Concessionaires, and their partners shall pay an annual amount to the Danish State corresponding to 20 per cent of the profit, cf. Appendix 1 to this Agreement.

As of 9 July 2012, the Danish State will participate as a partner in DUC, and the Danish State shall acquire a share of 20 per cent of the facilities (platforms, plants, pipelines, etc.). The Danish State shall not take over a share of liquid funds in DUC. The Danish State shall not take over any debt except for ordinary operational credit facilities.

The Danish State shall not pay any consideration for the share. The acquisition shall not trigger any tax gain or loss for the Concessionaires and their partners. The Concessionaires and their partners shall retain 80 per cent of the balances for depreciation allowances for facilities and 80 per cent of other tax values of assets and liabilities of which the Danish State takes over a share. Unrealised tax losses and the basis for computation of hydrocarbon tax allowance shall not be reduced as a consequence of the State participation.

The Danish State shall participate in rights and obligations on a pro rata basis with its 20 per cent share as of 9 July 2012, comprising 20 per cent participation in all expenses, including new investments, operating expenses, abandonment costs, etc., and shall receive its share of the oil and gas produced.

A.P. Møller – Mærsk has stated that the existing Joint Operating Agreement – JOA – between the DUC partners will be maintained until 9 July 2012. With effect from 9 July 2012, an updated JOA shall be drafted on the partners' mutual relations. As of the same date, the Danish State will join the Operating Committee (OPCOM), participate in technical meetings in DUC and receive the same reports, plans and other documentation as the other partners.

V. Other Financial Terms and Conditions

The Government will seek to implement the amendments below to the hydrocarbon taxation, which shall cover the present Concession and any new licences. The Concessionaires are aware of and accept that such amendments will be made to the Danish Hydrocarbon Tax Act with effect for this Agreement.

- As of the 2004 tax year, the hydrocarbon tax allowance shall be reduced to 5 per cent for 6 years instead of 25 per cent for 10 years. For investments made before 1 January 2004, the hydrocarbon tax allowance shall be reduced from 25 per cent to 10 per cent annually with effect from 1 January 2004. The right to the allowance shall terminate when the investment is 10 years old.
- Field taxation ("ring fence") shall cease as of the 2004 assessment year. Unutilised field losses shall be calculated at the end of the 2003 tax year and shall be deducted by 2.5 per cent in each of the years 2004-2005 and by 6 per cent in each of the years 2006-2016 (both years inclusive). The remaining 29 per cent cannot be deducted. This shall be subject to the Concessionaires and their partners making the maximum depreciation allowances for the 2003 tax year. The mentioned losses shall not be lost for a DUC partner that is a transferee company in a tax-free reorganisation in accordance with the rules in the Danish Mergers Tax Act.
- The special pay-back rule in Section 17 of the Danish Hydrocarbon Tax Act shall be repealed with effect from 1 January 2004. Any requests for an exemption from the pay-back rules regarding investments made before 1 January 2004 will be decided in accordance with the existing practice.
- The pipeline tax shall be set off against hydrocarbon tax from 1 January 2004 and not against the income basis for either hydrocarbon tax or corporation tax. Unutilised allowances in one year may be carried forward to subsequent year(s).
- The hydrocarbon tax rate shall be reduced from 70 per cent to 52 per cent.

Furthermore, provisions on a carry back scheme shall be inserted in the Danish Hydrocarbon Tax Act. Abandonment costs shall be deducted in the year in which they are paid. If there is not sufficient positive hydrocarbon income for full utilisation of the tax allowance, when production in accordance with the Concession has ceased, the Danish State will reimburse the tax value of the unutilised allowance. However, the reimbursed amount cannot exceed the accumulated hydrocarbon tax payment less amounts previously reimbursed regarding abandonments under the same scheme.

The parties are also in agreement that:

The provision regarding payment of royalty in Section 10 (1) of the 1962 Concession shall be repealed with effect as of 1 January 2004.

The pipeline tax in accordance with the 1981 Agreement shall be terminated with effect from 9 July 2012.

Unofficial translation

The present Agreement shall not affect the conditions on the compensation for duties on natural gas, as agreed between the DUC partners and DONG. However, the Concessionaires and their partners declare that any possibilities claiming compensation as a result of this Agreement and the applicable legislation will not be used vis-à-vis DONG. If DONG wishes to use the possibility, if any, of claiming compensation from the DUC entities, this Agreement shall be adjusted so that the economical balance between the parties is maintained.

VI. Other Provisions

It is agreed that the DUC companies shall be compensated for the effects of amendments to existing or new legislation and other rules that specifically affect producers of hydrocarbons in the Danish North Sea. The compensation shall be fixed with a view to restoring the economical balance between the Danish State and the Concessionaires and their partners and may, as a maximum, equal the net advantage that the Danish State obtains by this Agreement.¹

Any disagreement on this shall be settled by arbitration.

The Danish State's general power of taxation shall not be affected by this provision.

The Concessionaires shall, in general, be treated in an objective and non-discriminatory manner.

The Government will, as soon as possible, put forward a proposal in the Danish Parliament for the necessary legislative amendments required by this Agreement and implement the necessary adjustments of the legal basis.

Execution of this Agreement shall be subject to the Government obtaining the necessary support from the Danish Parliament and the Energy Policy Committee of the Danish Parliament, and implementing the necessary and implied legislative amendments.

On the part of the Danish State, execution of this Agreement shall also be subject to the new concession not giving rise to any objections from the European Commission.

On the part of A.P. Møller – Mærsk, the execution of this Agreement shall be subject to Board approvals.

The parties require that the implementation of this Agreement in legislation, other rules and detailed agreements will be made in a manner that is satisfactory to both parties in accordance with the provisions of this Agreement. This shall include that, before this Agreement becomes final, agreement

¹ A detailed agreement on the compensation provision shall be drawn up.

Unofficial translation

shall be achieved on the specific wording of the concession. The concession shall be in accordance with the provisions of the Licence Directive. The parties shall endeavour to ensure that the provisions of this Agreement enter into force on 1 January 2004.

[Signed]

Appendix 1 to Agreement of 29 September 2003 between the Minister for Economic and Business Affairs and the Concessionaires in accordance with sole concession of 8 July 1962 for exploration and production of hydrocarbons in the Danish subsoil.

On calculation of 20 per cent of the profit, cf. Clause IV State Participation

As of 1 January 2004 and up to and including 8 July 2012, the Concessionaires and their partners shall pay an annual amount to the Danish State corresponding to 20 per cent of the positive taxable income stated in accordance with Chapter 2 of the Danish Hydrocarbon Tax Act with the addition of net interest (may be both positive and negative). It shall not be taken into consideration in connection with the calculation of the amount that the profit share is deductible in the statement of the taxable income of the Concessionaires and their partners. The profit share is deductible in connection with the calculation of the basis for the corporation tax and the hydrocarbon tax.

The amount shall be payable on account annually in November for the tax year in question, (initially) on 1 November 2004. The amount shall correspond to the expected State profit share for the assessment year in question. Final settlement of the profit share shall be made on the basis of the tax assessment. If the basis of calculation is subsequently changed, the profit share shall be adjusted correspondingly.

Example of calculation of the profit share (PS)

1. Corporation taxable income calculated without deduction for PS	90	
2. Correction for deducted net interest charges	10	
3. Basis for the amount (1+2)	100	
4. The amount (20 per cent of 3)		20
5. Corporation taxable income stated with deduction for PS (1-4)	70	
6. Corporation tax (30 per cent of 5)		21

10 November 2003

**ADDENDUM TO SOLE CONCESSION OF 8 JULY 1962
TO EXPLORE FOR AND RECOVER HYDROCARBONS
FROM THE DANISH SUBSOIL
AS SUBSEQUENTLY AMENDED**

PREAMBLE

By an agreement dated 29 September 2003, the Minister for Economic and Business Affairs, of the one part, and A.P. Møller - Mærsk A/S and Mærskolie og Gas A/S ("the Concessionaires"), of the other part, have agreed to extend the Concessionaires' Sole Concession to 8 July 2042 inclusive. This Addendum to the Sole Concession implements the agreement dated 29 September 2003 such that the Sole Concession is adapted to the provisions of the Hydrocarbon Concession Directive.

The Sole Concession to Explore for and Recover Hydrocarbons from the Danish Subsoil, see Order No. 372 of 7 November 1963, complete with protocols of 16 July 1962, 10 October 1963 and 3 March 1972, as well as agreements of 15 July 1976, 19 May 1981 and 17 July 2000 (collectively referred to as "the Sole Concession"), shall henceforth apply with the following amendments (including the amendments referred to as "the Concession").

Extension of the Sole Concession, etc.

Clause 1

The Sole Concession shall be extended so as to expire on 8 July 2042.

Within the area covered by the Concession, see Clause 2 below, the Concession shall give the Concessionaires an exclusive right to continue exploring for and recovering liquid and gaseous hydrocarbons.

The current joint venture between the partners of Dansk Undergrunds Consortium ("DUC") may continue.

With effect from 9 July 2012, the state shall become a partner of DUC with a 20 per cent share; see Clause 5 below.

Area covered by the Concession, etc.

Clause 2

The Concession shall comprise the areas covered by the Sole Concession at 31 December 2003. The existing agreements regarding the relinquishment of areas shall be upheld, with the exception of the relinquishment scheduled for 2012. Thus, with effect from 9 July 2012, the Concession will comprise all the areas available according to the Sole Concession at 8 July 2012.

The area covered by the Concession at 1 January 2004 shall be rendered on a map approved by the parties, complete with lists of coordinates, attached to this Addendum as Appendix 1.

To the extent that the fields in the contiguous area, see Article 5 of the agreement of 19 May 1981, have not yet been delineated, such delineation shall be made in connection with the area relinquishment in 2005, in accordance with existing rules and agreements.

Clause 3

The existing Section 2 of the Sole Concession from 1962 shall be deleted in its entirety, and the following text shall be inserted as Subsections (6) to (11) of Section 2:

“(6) Any recovery initiated shall be conducted in an efficient way within the area where the right of recovery applies, and shall be maintained for as long as production activity or other activities can be carried out on a basis that is financially sound for both society and the Concessionaires, and whether this is the case shall be determined for each individual production and injection system or part system.

(7) Where production from a field is abandoned by virtue of Subsection (6) above, the relevant area shall be relinquished to the state, regardless of whether the associated platforms, pipelines, etc. are to continue operating as part of the recovery from other fields. Relinquishment shall only take place to the extent that it does not have a negative impact on the Concessionaires' continuing activities.

(8) Where the Concessionaires no longer wish to operate an independent platform, group of platforms or pipeline installations, whether upon the relinquishment of a field pursuant to Subsection (7) or at a later date prior to the expiry of the Concession, the Concessionaires shall be entitled to attempt to sell the above-mentioned installations on commercial terms, with the associated rights and obligations. Any assignment of rights under the Concession shall be subject to the existing provisions in this respect. Where the Concessionaires have not disposed of the installation or installations mentioned within a period of 18 months, and the state has not granted any extension of such period, the rules applicable to such installations upon the expiry of the entire Concession shall apply; see Section 12(5) and (6).

(9) Disputes regarding the matters dealt with in Subsections (6), (7) and (8) shall be settled by arbitration, see Section 14(2), as amended by Article 18 of the agreement of 19 May 1981.

(10) In addition to the annual reports on future oil and gas production that are to be submitted to the Danish Energy Authority, the Concessionaires shall henceforth submit their plans for the future abandonment of fields.

(11) If all production is discontinued prior to 8 July 2042, the Concession shall terminate at the same time."

Work programme, exploration and development

Clause 4

The Concessionaires' obligations to carry on continued exploration shall be determined on the basis of the provisions of the 1981 agreement. The approved work programme for exploration activity in 2003 to 2008 shall be continued. Following negotiation with the Concessionaires, the Danish Energy Authority shall approve a work programme for a term of six years at a time, based on a proposal from the Concessionaires. Work programmes shall be redetermined every third year for the following six-year period.

According to good practice, work programmes shall comprise the obligations that the authorities require the Concessionaires to fulfil with regard to carrying out a professionally competent exploration programme aimed at determining whether any exploitable hydrocarbon accumulations exist, in which connection the Concessionaires shall safeguard society's interest in an efficient exploration effort made on a basis that is financially sound for both society and the Concessionaires.

Likewise, the Concessionaires shall strive to promote the recovery of oil and gas from the Danish sector of the North Sea on a basis that is financially sound for both society and the Concessionaires, by using the most efficient technology and continually optimizing recovery.

In case of any dispute about the scope or content of the work obligations, such dispute shall be settled by arbitration pursuant to Section 14(2) of the Sole Concession of 1962, as amended by Article 18 of the 1981 agreement.

The right to appeal against decisions made by the supervisory authority according to existing legislation shall be based on the general provisions of administrative law.

State participation

Clause 5

From 1 January 2004 to 8 July 2012 inclusive, the Concessionaires and their partners shall pay an annual amount to the state equivalent to 20 per cent of their profit from activities conducted under the Concession; see Appendix 2 to this agreement.

As from 9 July 2012, the state shall become a partner of DUC, and the state shall take over a 20 per cent share of the installations (platforms, processing facilities, pipelines, etc.). The state shall not take over a share of DUC's liquid funds; nor shall the state take over any debt, apart from the usual trading credits.

The state shall not pay for the takeover.

It is a precondition for the takeover that (i) it will not generate any tax profit or loss for the Concessionaires and their partners, that (ii) the Concessionaires and their partners shall retain 80 per cent of the balances available for depreciating installations for tax purposes and 80 per cent of other tax values relating to assets and liabilities of which the state shall take over a share, and that (iii) unutilized tax losses and the basis for calculating the hydrocarbon allowance will not be reduced as a consequence of state participation.

As from 9 July 2012, the state shall participate in rights and obligations in proportion to its 20 per cent share, and shall pay a 20 per cent share of all expenses, including new investments, operating expenses, costs of removal, etc. Moreover, the state shall receive its share of the oil and gas produced.

The Concessionaires have stated that the existing Joint Operating Agreement ("JOA") between the DUC partners will be maintained until 9 July 2012. With effect from 9 July 2012, an updated JOA describing the parties' relations shall be

prepared. At the same time, the state shall become a member of the Operating Committee ("OPCOM"), participate in technical meetings in DUC and receive the same reports, plans and other documentation as the other partners.

Other financial terms and conditions

Clause 6

The provision regarding the payment of royalty set out in Section 10(1) in the Sole Concession of 1962 shall be abolished effective 1 January 2004. Royalty on production in 2003 shall be calculated and paid according to the rules existing prior to that date.

The profit element pursuant to Clause 3 of Article 8 in the 1981 agreement (the pipeline tariff) shall be abolished for production on which the liability to pay the profit element arises on 9 July 2012 or later.

Other provisions

Clause 7

With regard to restoring the financial balance if the Concessionaires' position is impaired by new or amended legislation, rules and regulations that specifically affect producers of hydrocarbons in the Danish sector of the North Sea, the rules set out in Appendix 3 shall apply.

Clause 8

The Concessionaires shall be treated in an objective and non-discriminatory manner.

Clause 9

To meet the provisions of Article 3 of Council Directive 93/38/EEC, the Danish Energy Authority may determine that the Concessionaires shall

- a) observe the principles of non-discrimination and competitive procurement in respect of the award of supplies, works and service contracts,
- b) give the EU Commission information regarding the award of contracts in accordance with the terms and conditions laid down by the Commission pursuant to Article 40 of the above-mentioned Directive.

The Danish Energy Authority may lay down more detailed rules on the procedures to be followed by the Concessionaires with a view to fulfilling an obligation set out in paragraph a) above.

Updating of previous provisions

Clause 10

A number of provisions contained in the Sole Concession shall be abolished from the time this Addendum enters into force.

Appendix 4 to this Addendum enumerates the provisions to be maintained from the previous concession documents, subject to any amendments following from this Addendum, but for practical reasons, the appendices to the agreement of 17 July 2000 have been omitted.

Commitments to negotiate etc. contained in the sole concession shall only apply in so far as it is not contrary to EU law to negotiate regarding the relevant subject.

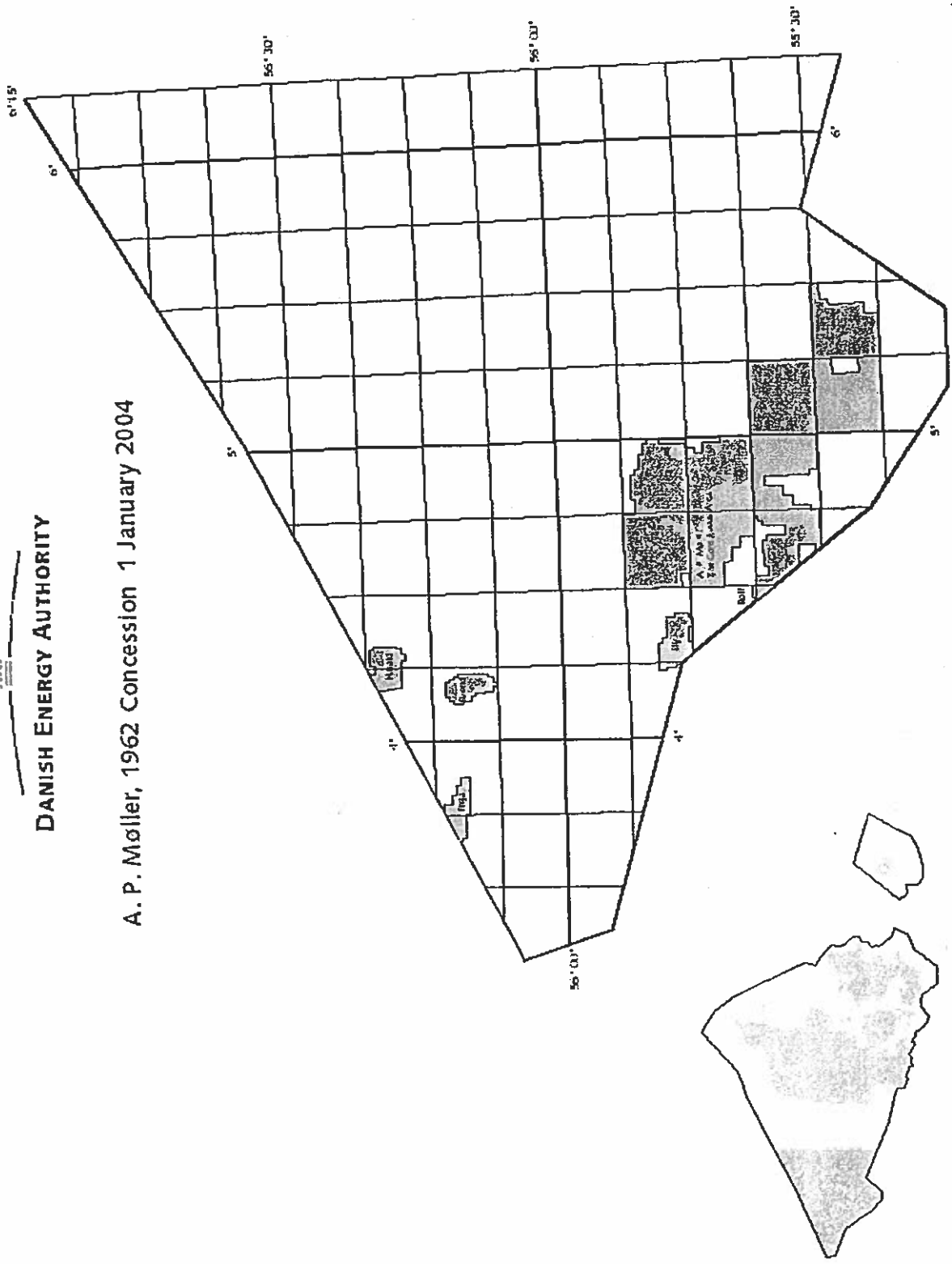
Clause 11

This Addendum to the Sole Concession shall take effect as from 1 January 2004.



DANISH ENERGY AUTHORITY

A. P. Møller, 1962 Concession 1 January 2004



APPENDIX 2

Appendix 2 to agreement between the Minister for Economic and Business Affairs and the Concessionaires to amend and extend the Concessionaires' Sole Concession of 8 July 1962 to Explore for and Recover Hydrocarbons.

Re calculation of 20 per cent profit share; see Clause 5 regarding state participation

From 1 January 2004 to 8 July 2012 inclusive, the Concessionaires and their partners shall pay an annual amount to the state equivalent to 20 per cent of their positive income subject to corporation tax, determined in accordance with the provisions of Part II of the Hydrocarbon Tax Act from time to time in force, plus net interest expenses (which may be either positive or negative). The profit share calculation shall be based exclusively on the share of income that is subject to corporation tax, after deduction of tax losses eligible for carryforward that arise after 1 January 2004, and relates to activities under the Concession, thus forming part of the basis for assessing taxes deductible when taxable hydrocarbon income is determined pursuant to Part III A of the Hydrocarbon Tax Act. Likewise, only the net interest expenses included in the determination of the above-mentioned share of income subject to corporation tax shall be added. When the amount is determined, no deductions may be made pursuant to the transitional rule laid down in section 20 A(2) of the Hydrocarbon Tax Act, and it may not be taken into account that the Concessionaires and their partners may deduct the profit share when determining their taxable income. The Concessionaires and their partners may deduct the profit share when determining the base for corporation tax and hydrocarbon tax.

The amount shall be paid on account every year on 1 November for the relevant accounting year, the first payment to be made on 1 November 2004. The amount shall correspond to the expected profit share payable to the state for the relevant accounting year. When making the payment, the Concessionaires and their partners shall submit a statement showing how the amount has been calculated. Final settlement of the profit share shall be made on the basis of the tax assessment and at such time as the assessment becomes available in the following year. If the basis for calculating the profit share is subsequently changed in connection with the final assessment of corporation tax, the profit share shall be adjusted accordingly.

As regards the 2012 accounting year, a special determination shall be made for the period from 1 January 2012 to 8 July 2012. The general provisions of tax legislation for allocating income and expenses to an accounting year on an accruals basis shall be applied correspondingly for the relevant period. As regards depreciation allowances, the provisions of section 27 B of the Hydrocarbon Tax Act shall be applied. Amounts payable according to the special determination shall fall due for payment on 1 November 2012, and when effecting payment, the Concessionaires and their partners shall specify how they calculated the amount. The Danish Energy Authority shall check the special determination within the usual time limits for the assessment of corporation taxes for the 2012 accounting year. If the Danish Energy Authority corrects the determination, the profit

share shall be adjusted accordingly. The Concessionaires and their partners may contest any such correction by bringing an action against the Danish Energy Authority before the ordinary courts of law. The bringing of an action shall not have a delaying effect on the duty to effect payment of the amount.

Moreover, a special determination shall be made if the Concessionaires' and/or their partners' taxable hydrocarbon income pursuant to Part III A of the Hydrocarbon Tax Act for the relevant accounting year derives both from activities under the agreement and from other activities, as only activities under the agreement are relevant for the purpose of determining the profit share. In that case, the allocation principles used to determine whether corporation taxes are to be deducted when the hydrocarbon income taxable pursuant to Part III or Part III A of the Hydrocarbon Tax Act is determined shall be applied correspondingly. Amounts payable on the basis of a special determination in accordance with this paragraph shall be paid on account on 1 November in the relevant accounting year and shall correspond to the state's expected profit share for the relevant accounting year. When making the payment, the Concessionaires and their partners shall submit a statement showing how the amount has been calculated. The final determination of the profit share shall be made within the time limit for filing an income tax return for the relevant accounting year, and settlement shall take place when the tax assessment for the relevant accounting year becomes available. The rules laid down in the preceding paragraphs regarding the checking and correcting of the special determination and the contesting of corrections shall be applied correspondingly.

The provisions of sections 1 to 7 of the Interest Act shall apply to late payment.

New or amended statutory provisions, rules and regulations that increase the burden on the Concessionaires and their partners in connection with state participation shall entitle the Concessionaires and their partners to compensation in accordance with the terms and conditions laid down in Appendix 3, within the limits fixed in the relevant appendix. Thus, the provisions of this Appendix 2 shall not result in any changes to Appendix 3.

Example showing calculation of profit share

1. Income ¹ subject to corporation tax, determined without deducting the profit share	90	
2. Correction for net interest expenses deducted	10	
3. Basis for calculating the amount (1+2)	100	
4. Amount payable (20 per cent of 3)		20
5. Income subject to corporation tax, determined after deducting the profit share (1-4)	70	
6. Corporation tax (30 per cent of 5)		21

¹ Relating to activities under the agreement.

APPENDIX 3

AGREEMENT ON COMPENSATION PURSUANT TO SECTION VI IN AGREEMENT
OF 29 SEPTEMBER 2003

BETWEEN

THE MINISTER FOR ECONOMIC AND BUSINESS AFFAIRS

AND

THE CONCESSIONAIRES PURSUANT TO
THE SOLE CONCESSION OF 8 JULY 1962

Introduction:

This agreement is entered into pursuant to Section VI in agreement of 29 September 2003 (hereinafter "the Agreement") and contains the rules on compensation that are to be included in the final drafting of the future terms of the Concession.

The background for the agreement on compensation is that the Concessionaires have, by conclusion of the Agreement, accepted stricter conditions for the future utilisation of the existing Sole Concession based on an assumption that the State does not, by intervention in the form of issuance of legislation and other rules of specific importance to the Concessionaires and their partners in Dansk Undergrunds Consortium (DUC), impair the economic terms that constitute the basis of the Agreement.

As the Agreement does not affect the legislature's right to institute taxation, other law-making powers or the issuance of rules within the framework of the European Union, the compensation scheme implies that the obligations assumed under the Agreement by the Concessionaires and the other DUC Partners are reduced correspondingly in case the financial position of the Concessionaires and the other DUC Partners is impaired due to new or amended legislation and rules, as further specified in this agreement.

1.

Compensation pursuant to Clauses 2-5 below can be claimed by the Concessionaires and the other DUC Partners to the extent that new or amended legislation and rules, cf. Clause 2 below, are related to the activities that they carry out under the Concession.

2.

(1) Compensation can be claimed where the financial position of the Concessionaires and their DUC Partners is impaired due to new or amended legislation and rules compared to the state of the law that applies according to the Danish laws and other existing rules in Denmark, which have been adopted at the time of entering into this agreement, or which the Concessionaires and the other DUC Partners declare themselves familiar with and accept in the final form of the Agreement.

(2) New or amended legislation and rules, as referred to in subclause (1) above, shall only provide an entitlement to compensation to the extent that such changes of the state of the law specifically affect producers of hydrocarbons in the Danish territory, whereas general and non-discriminatory changes of the state of the law shall not provide an entitlement to compensation. It is not in itself considered discriminatory that an amendment of general taxation rules has a greater economical importance for the Concessionaires and their Partners in the DUC than for others..

(3) Compensation pursuant to subclause (2) above shall include e.g. an increase of the Danish hydrocarbon tax or introduction of other more severe fiscal terms that only concern producers of hydrocarbons on Danish territory.

(4) Compensation pursuant to subclause (2) above cannot be claimed in case of non-discriminatory changes of the state of the law that also apply to other businesses than producers of hydrocarbons in the Danish territory, e.g. general increases in corporate taxation or other general taxes and duties, including duties imposed on both imported and domestically produced hydrocarbons, introduction of EU rules binding for producers of hydrocarbons also outside Danish territory, e.g. introduction of CO₂ quotas as a result of EU legislation, or a general regulation of relations between employers and employees.

(5) Even though an amended or new act or rule is drawn up in such a way that its addressees are only producers of hydrocarbons on the Danish territory, such act or rule shall not constitute an entitlement to compensation where the act or rule is implemented as part of a more general and non-discriminatory regulation with a non-fiscal objective designed to regulate behaviour, e.g. initiatives that are part of a general policy to protect the environment or to improve the rules on occupational health and safety.

(6) Future tax bills on thin capitalisation etc. that are introduced on the basis of the EU package, submitted for consultation on 28 August 2003, shall not provide an entitlement to compensation.

(7) The examples in subclauses (3)-(5) above are not exhaustive, but definitely fall within the main rules concerned.

3.

(1) In connection with the calculation of compensation consideration shall be made for the total specific net effect for the Concessionaires and the other DUC Partners in respect of as well increased burdens as relaxations due to such new or amended legislation and rules, which, according to Clause 2 above, are taken into account in relation to compensation.

(2) If, as part of an overall legislation package on readjustment of the taxation system, both general reductions of taxation for trade and industry as a whole and increased taxation, including taxation that specifically affects producers of hydrocarbons in the North Sea, are implemented, the maximum entitlement to compensation in connection with the specific event is limited to the extent to which the legislation package viewed as a whole provides the Concessionaires and their Partners in the DUC with a relatively smaller economic relief than the average of all Danish undertakings.

4.

(1) The total compensation to the Concessionaires and the other DUC Partners cannot exceed the net advantage obtained by the State under the Agreement.

(2) Compensation cannot exceed the net advantage obtained continuously by the State from 1 January 2004 and onwards.

(3) In this context the State's net advantage under the Agreement shall be calculated as profit-sharing/net proceeds of State participation according to section IV of the Agreement and the value of non-utilization of possibilities of passing on the effects of the Agreement and related legislation to DONG, cf. agreements between the DUC Partners and DONG, deducting the advantage that the Concessionaires and other DUC Partners obtain by abolition of royalty pursuant to Clause 10(1) of the 1962 Concession.

5.

(1) Compensation shall be determined with a view to re-establishing the economic balance between the State and the Concessionaires and the other DUC Partners in order for the purpose and result from compensation (within the scope of Clause 4 above) to be to provide the Concessionaires and the other DUC Partners with the same financial position as they would have had if the implemented changes of the state of the law, cf. Clause 2 above, had not existed.

(2) The Concessionaires and the other DUC Partners shall raise a claim for compensation not later than three months after announcement of a change of the state of the law, cf. Clause 2 above, which they invoke, in order to maintain their right to compensation on account thereof. The time-limit is complied with by the Concessionaires' notification of a claim no matter whether a claim can be specified or documented within that time-limit.

(3) If the parties cannot agree on whether compensation can be claimed, the size and/or form of compensation, the dispute shall be settled by arbitration according to the applicable provisions of the Concession.

6.

The State's general right to introduce taxation shall not be affected by this agreement.

7.

This agreement shall be subject to the same conditions and assumptions as the Agreement and thus come into effect only at the same time as the Agreement.

8.

The Parties agree that questions and problems arising in connection with the Concession, including this agreement, shall be subject to negotiation.

The Minister for Economic and Business Affairs

Copenhagen,

For the Concessionaires:

Copenhagen,

APPENDIX 4

**TERMS AND CONDITIONS APPLICABLE AT 1 JANUARY 2004
PURSUANT TO THE SOLE CONCESSION OF 8 JULY 1962
TO EXPLORE FOR AND RECOVER HYDROCARBONS FROM
THE DANISH SUBSOIL, COMPLETE WITH PROTOCOLS,
AGREEMENTS AND SUPPLEMENTS**

CONTENTS:

Order No. 372 of 7 November 1963 on the Sole Concession to Explore for and Recover Hydrocarbons etc. from the Danish Subsoil 3

Protocol of 16 July 1962 relating to the Sole Concession of 8 July 1962 to Explore for and Recover Hydrocarbons etc. from the Danish Subsoil 7

Supplement to Protocol dated 16 July and 14 August 1962 relating to the Sole Concession of 8 July 1962 to Explore for and Recover Hydrocarbons etc. from the Danish Subsoil with later amendments 10

Agreement of 15 July 1976 between the Concessionaires pursuant to the Sole Concession of 8 July 1962 and the Minister of Commerce 11

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Agreement of 17 July 2000 on Area Relinquishment and Field Delineation for the Contiguous Area, effective 1 January 2000..... 23

Order No. 372 of 7 November 1963 on the Sole Concession to Explore for and Recover Hydrocarbons etc. from the Danish Subsoil

As regards exploration and recovery in the part of the continental shelf area mentioned the Concessionaires shall be obliged not to carry out their activities in a way which is incompatible with the convention on the continental shelf signed in Geneva on April 29, 1958.

The concession is granted subject to the provisions contained in the Subsoil Act and subject to the special conditions stated below:

1. – (3) Any dispute concerning the scope of the concession, which does not affect the rights of another concessionaire, shall be settled by the arbitration tribunal mentioned in Section 14, always provided that the question as to whether a raw material was subject to private utilization in this country prior to the coming into force on February 23, 1932 of Act. No. 27 of February 19, 1932 shall be decided by a court of law.

3. – (2) The Concessionaires must respect any present or future grants to a third party of a sole right to explore for and recover raw materials from the Danish subsoil other than the ones to which the present concession applies.

4. At the request and expense of the Concessionaires it shall be possible to expropriate in accordance with the provisions of the Subsoil Act in this respect such areas etc as are in the judgment of the Minister of Public Works required for the exploration and recovery activities.

5. – (1) Subject to the reservation made in Subsection (5), Section 12 of the Concession, and in accordance with the provisions in force at the time in question, the Concessionaires shall be entitled to export from Denmark machinery, goods or other items which they have imported into Denmark for use in connection with exploration or recovery activities. Irrespective of Subsection (5), Section 12 this right shall also apply to Danish or foreign citizens or companies that have in a similar way imported machinery, goods or other items, and in the case of foreign citizens also capital, into this country for the use of the Concessionaires.

5. – (2) It shall also be possible to export from this country all dividends or profits earned from the activities of the Concessionaires in accordance with the provisions applying at the time in question.

6. – (1) Prior to initiating geophysical or geological activities the Concessionaires shall inform the Minister of Public Works of their plans for such activities. Where the Concessionaires start drilling a well pursuant to the concession they shall in accordance with the instructions given by the Danish Geological Survey submit to the latter the information of location and results of the well prescribed in Section 3 of the Subsoil Act. Preliminary reports on the geophysical and geological work are to be submitted to the Minister each month. Detailed geophysical and geological reports of the work carried out with copies of all original data are to be submitted to the Danish Geological Survey every six months.

6. – (2) Any wells or shafts which are abandoned by the Concessionaires shall be closed and covered soundly in every respect by the Concessionaires in accordance with the provisions laid down by the Supervision.

6. – (3) The provision of Subsection (1) shall also apply to activities carried on in international waters with a view to exploration on the part of the continental shelf referred to in the preamble. Where the Concessionaires want to establish permanent installations in international waters for use in connection with such exploration they shall be obliged to obtain in advance the consent of the Minister of Public Works to the installation and design of such plants in each case. The Concessionaires shall be obliged to subject themselves to such inspection and control of the condition and operation of permanent installations as is required to ensure that the installations in question and their use of it do not give rise to unlawful encroachment on the other interests attached to the utilization of the freedom of the sea. The Concessionaires shall

repay the costs of such control to the Exchequer in accordance with the provisions laid down by the Minister.

7. – (1) Before recovery or measures in preparation of recovery are initiated, the plants required in this respect and the area(s) for which recovery is planned must be approved by the Minister of Public Works to whom it must also have been shown that the money which is in the Minister's opinion required for recovery activities has been guaranteed, cf. Subsection (3), Section 2 of the Subsoil Act.

7. – (2) The provisions of clause 2, Subsection (3), Section 6 apply similarly to permanent installations in international waters for use in connection with recovery activities on the part of the continental shelf referred to in the preamble.

8. The supervising authorities of the Minister of Public Works shall co-operate with the management of operations of the Concessionaires and shall exercise the supervision of the Concessionaires' activities required pursuant to Subparagraph (3), Subsection (1), Section 4 of the Subsoil Act.

9. – (1) Not later than 6 months after the end of each accounting year the Concessionaires shall submit to the Minister of Public Works a copy of their audited accounts endorsed by a chartered accountant who has been approved by the Minister.

9. – (3) The Concessionaires shall be obliged to comply with the orders given by the Minister of Public Works in order to render possible or facilitate supervision of the quantity of raw materials recovered, sold or used for the activities and generally the Concessionaires shall be obliged to submit all the information which the Minister may require for supervision of the Concessionaires' activities or accounts.

10. – (1) The Concessionaires shall pay royalty to the Danish State in accordance with the following rules:

(a) Hydrocarbons

10. – (2) Where the raw materials are sold in their original form for delivery at the place of production the real value shall be equal to the sales price.

10. – (3) Where the raw materials are sold in their original form for delivery at a place other than the place of production, the real value shall be the sales price after deduction of transport costs and any other costs which are borne by the seller and which are consequently included in the sales price or have affected it.

10. – (4) Where the raw materials are sold after having been refined or further processed the real value to be used for fixing the royalty shall be the sales value which the Concessionaires have most recently received for sale of the raw material in question in its original form after deduction of transport costs and other costs as fixed above. Where the Concessionaires have not sold the raw material in its original form or where the sales price which the Concessionaires have most recently obtained no longer corresponds to the real value of the raw material in question in its original form at the place of production the real value to be used for the fixing of the royalty shall be the sales value which the Concessionaires could have obtained in the world market in free competition in the case of corresponding sale from the place of production of the raw material in question in its original form, cf. also Subsection (3).

10. – (5) A provision similar to that of the last clause of Subsection (4) shall apply when fixing the royalty in the case of sales by the Concessionaires to an enterprise within their own group or an enterprise in which they have a direct or indirect interest. The same shall apply in the case of sales to enterprises with which they have an agreement for participation in exploration and/or recovery activities under the concession.

10. – (6) Where there is a dispute about the calculation of royalty the question shall be settled by the arbitration tribunal mentioned in Section 14.

(c) Joint provisions for all raw materials.

At the termination of the concession for whatever reason the Concessionaires shall still pay royalty of saleable raw materials extracted but not yet sold. The provision of Subsection (6) under a. shall apply similarly.

11. – (1) All the royalties mentioned in Section 10 shall be paid annually simultaneously with the Concessionaires' submittal of the annual accounts to the Ministry the remittance being accompanied by the documentation required to check the calculation of the various royalty payments.

11. – (2) An annual rate of interest equivalent to the discount rate of the Danish central bank shall be paid on royalty amounts which have not been paid within 6 months after the end of the accounting year from the end of the 6 months until payment is effected.

12. – (1) Where any of the conditions fixed in the Subsoil Act for the granting or maintenance of the concession are not fulfilled the concession shall lapse.

12. – (2) Where any of the special conditions laid down in the concession are not observed, the Minister of Public Works will inform the Concessionaires of the violation that has in the Minister's opinion occurred after which the matter is to be corrected within a reasonable time as fixed by the Minister.

12. – (3) Where a condition of force majeure occurs during the currency of a time limit under the concession, the time limit shall be extended by a period of corresponding duration always provided that the overall period of validity of the concession of 50 years shall not be extended.

12. – (4) The Concessionaires shall be entitled to give up the concession at any time and thus renounce the rights and obligations under the concession.

12. – (5) Where the concession expires without having been extended or lapses for any other reason the State shall be entitled to take over plants belonging to the Concessionaires and established for the recovery activities as such at a price which shall in the absence of agreement be fixed by the arbitration tribunal mentioned in Section 14 through an assessment. This right of takeover shall not apply to machinery, equipment and the like which the Concessionaires have imported or obtained for temporary use or the implementation of a particular piece of work and which the Concessionaires want to export from Denmark.

12. – (6) To the extent that the State does not take over the plants for the recovery activities as such, the Concessionaires shall be entitled to remove them and at the request of the Minister they shall be obliged to remove plants which will in the Minister's opinion cause inconvenience to the public authorities or to private persons.

13. – This concession cannot be transferred to anyone else without the consent of the Minister of Public Works apart from transfers among the corporations participating in the Concessionaires' consortium.

14. – (1) Questions which are according to the contents of the present concession subject to the judgment or decisions of the Minister of Public Works shall be decided finally by the Minister unless the concession expressly lays down the right for settlement of the matter in question by the arbitration tribunal.

14. – (2) Disputes which may pursuant to the contents of the concession be referred to arbitration shall be settled finally by an arbitration tribunal consisting of three members of which the Minister shall appoint one and the Concessionaires one. The two members thus elected shall between them appoint an umpire and where they cannot agree on this the umpire shall be appointed by the Chief Justice of the Supreme Court. The tribunal shall itself fix its rules for treatment of questions raised and shall decide who is to pay the costs of the arbitration. If necessary, the tribunal shall reach its decision through a majority of votes.

14. – (3) Any disputes which may arise between the State and the Concessionaires in any question relating to this concession shall be settled by the Danish courts of law. Copenhagen shall be the venue.

The Ministry of Public Works
November 7, 1963
Kai Lindberg/J. Bang Christensen

Protocol of 16 July 1962 relating to the Sole Concession of 8 July 1962 to Explore for and Recover Hydrocarbons etc. from the Danish Subsoil

I.

On behalf of the Concessionaires, A.P. Møller has informed the Danish Government that he and the companies managed by him have undertaken this task for patriotic reasons, and has asked the Government to bear in mind that the Concessionaires have no experience of the work to which the concession applies, nor do they hold the same international or financial position as that held by the large foreign oil concerns.

The Minister of Public Works will endeavour to lend the Concessionaires all such assistance and help as legislation and administrative practice render possible in order that the Concessionaires may attain full utilization of the concession.

II.

In relation to the individual provisions of the concession agreement has been reached on the following:

Re Section 2 of the concession

Likewise, if, in instances other than force majeure, the Concessionaires are unable to adhere to fixed, non-statutory time limits, the Minister of Public Works will be willing to grant the Concessionaires a suitable extension of time for a period to be fixed on the merits of the case.

Re Section 3 of the concession

Just as any other concessionaire cannot, within an area used by the Concessionaires for recovery operations, carry out any exploration or recovery operations which may harmfully interfere with the production activity of the Concessionaires, the Concessionaires shall refrain from similar activities within areas which are used for the purpose of production activity by another concessionaire or are reserved by the Minister for the owner of the concession to recover salt by dehydration (by washing).

If, in connection with the granting of a subsequent concession under the Subsoil Act, the question of reserving a limited area for a new concessionaire is raised, the Minister will give the Concessionaires under the present concession the opportunity to negotiate on the matter, and on making his decision, the Minister will make reasonable allowance for their interests.

Re Section 6 of the concession

No samples, reports, accounts, or other material or particulars thereon received from the Concessionaires will be handed over by the Government to any third party, except for geological data to the Government's own institutions or for the Government's own recovery operations – after the Concessionaires' opinion has been obtained.

However, after five years reckoned from the handing over of the material to the Government, the Government shall have free disposal of the geological material in question. If the sole concession granted to the Concessionaires should lapse in respect of one or more of the raw materials dealt with in Section 1, the Government shall forthwith have free disposal of all materials relating solely to exploration for and recovery of the raw material or raw materials in question.

In relation to the fourth clause of Subsection (1), Section 6 there is agreement that the Danish Geological Survey shall have the right to examine, on the premises of the Concessionaires, all original data and itself point out the individual data of which copies are desired.

In relation to Subsection (2), Section 6 there is agreement that the instructions of the Supervision about closing and covering shall be worded in accordance with sound practice.

Re Section 7 of the concession

There is agreement that – in accordance with the rules in force at the time in question – the Concessionaires shall be entitled to procure such funds as are required for the exploration or recovery operations by raising loans in Denmark or abroad.

Re Section 12 of the concession

It is assumed that on the termination of the concession or as soon as possible thereafter it will be decided which of the plants for the actual recovery operations are to be removed and which are not to be removed.

Re Section 13 of the concession

The Minister will permit A.P. Møller, the shipowner, to assign his part of the concession to a fund to be established by him, or to a company to be established by him in which he himself owns by far the greater majority of the shares. However, this must be on the condition that the charter of the fund, or the articles of association of the company, respectively, can be approved by the Minister of Public Works, cf. Subparagraph (4), Subsection (1), Section 4 of the Subsoil Act, and that the shares of the company – apart from devolution by succession on widow or issue – can never be assigned to anybody who is not a co-owner of the concession unless the Minister consents.

Should A.P. Møller, the shipowner, die without having made any such disposition, A/S Dampskibsselskabet Svendborg and Dampskibsselskabet af 1912 A/S shall be entitled and liable to take over and carry on the concession; however, in that instance the Minister will allow A.P. Møller's share to be transferred – on the same conditions as above – to a new company established by the two companies.

In view of the fact that the Concessionaires intend to procure further expert and technical assistance for the exploration and recovery operations covered by the concession, there is agreement that the Concessionaires shall have the right to procure such assistance, and to make the agreements necessary to that effect, always provided

that an assisting party shall in every respect observe the provisions of the sole concession and this protocol, that the ownership, if any, of the assisting party, of plant, machinery, equipment and the like shall not be asserted as against the Government where such plant, machinery, equipment and the like form part of the plant dealt with in Subsection (5), Section 12 of the concession,

that an assisting party shall not acquire the ownership of or the independent user of the areas etc, which are acquired by the Concessionaires through expropriation pursuant to Section 4 of the concession,

It follows from Section 10 of the concession that the royalties dealt with in that Section shall be paid by the Concessionaires and not by an assisting party. The royalty payable on such raw materials as are transferred to an assisting party shall fall due for payment immediately on their transfer. The royalty is payable in accordance with Section 11 of the concession.

Re Section 14 of the concession

The questions which, according to the contents of the concession, come within the discretion or decision of the Minister of Public Works, and which are to be finally settled by the Minister, are dealt with in Section 4, Section 7, Subsection (3) Section 9, Subsection (6) Section 12, and in Section 13.

The questions which are to be settled by arbitration are dealt with in Subsection (3) Section 1, Subsections (5) and (8) Section 2, Subsection (6) Section 10 a, Section 10 b, Section 10 c, and Subsection (5) Section 12.

III.

The Concessionaires are assured the right to negotiate about any problem which may arise in connection with the concession, so that in all cases a practical and reasonable solution will be attempted for the purpose of assuring that the concession and the enterprise arising therefrom will be useful and beneficial to Danish work. This also applies to the question concerning the enterprise after the termination of the concession, so that negotiations about the continuation of the enterprise, if desired, and the relevant conditions may be commenced in ample time in advance.

The Ministry of Public Works, July 16, 1963
Kai Lindberg

Supplement to Protocol dated 16 July and 14 August 1962 relating to the Sole Concession of 8 July 1962 to Explore for and Recover Hydrocarbons etc. from the Danish Subsoil with later amendments

Since the Sole Concession to Explore for and Recover Hydrocarbons etc. from the Danish Subsoil granted on July 8, 1962, pursuant to Act No. 181 of May 8, 1950, has been amended by Royal Decree dated October 5, 1963, it has been agreed that the foregoing provisions of I – III of the Protocol dated July 16 and August 14, 1962, which have been agreed upon as applying to the Sole Concession mentioned above, shall continue to apply to the Sole Concession as amended.

Should any particular questions arise as regards exploration and recovery operations on the continental shelf, the Minister will at any time be willing to take up such questions for favourable negotiation with the Concessionaires.

The Ministry of Public Works, this 10th day of October, 1963.

Agreement of 15 July 1976 between the Concessionaires pursuant to the Sole Concession of 8 July 1962 and the Minister of Commerce

4. Flaring of associated hydrocarbons

To the widest extent possible the Concessionaires and their partner will arrange recovery measures in such a way that flaring of hydrocarbons is essentially avoided. In cases where measures to avoid flaring of hydrocarbons would in the Concessionaires' opinion lead to an additional cost which is out of proportion to the planned production and the potential production of hydrocarbons that are intended to be flared, the Concessionaires and their partners will prove this to the Ministry of Commerce through the preparation of a detailed report contained geological, technical and financial evaluations to illustrate the matter.

5. Relinquishment of areas.

- a) With a view to the gradual relinquishment of areas described below the Concession area is divided as shown on the enclosed map into blocks delimited by whole degrees longitude and half degrees latitude.
- d) Irrespective of the rules of 5 a) and c) above the Concessionaires shall not be obliged to relinquish any area in which there is an oil or gas field or from which plans for recovery have been presented to the Ministry of Commerce. In this connection "area in which there is an oil or gas field" shall mean the delimitation of the field at deepest closing contour line plus 35 per cent indicated by lines of whole minutes longitude and whole minutes latitude. The delimitation in depth follows the outer limit of the zone infinitively towards the geometric centre of the globe. The delimitation of the field with an addition of 35 per cent is to be determined through negotiations in connection with the Ministry of Commerce's treatment of the Concessionaires' presentation of development plans for the field; the Concessionaires are to submit delimitation proposals for the Dan Field in accordance with the above.

6. Change in the DUC joint venture agreements.

The Concessionaires and their partners will change the joint venture agreements they have entered into so as to ensure that one or more of the DUC partners can carry through an exploratory well or develop an oil or gas field on their own responsibility without participation of the other partners.

Copenhagen, this 15th day of July, 1976

For the Concessionaires

Agreement of 19 May 1981 between the Minister of Energy and the Concessionaires pursuant to the Sole Concession of 8 July 1962 to Explore for and Recover Hydrocarbons from the Danish Subsoil

PREAMBLE

Following negotiations between the Minister of Energy on the one part and Dansk Boreelskab A/S, A/S Dampskibsselskabet Svendborg and Dampskibsselskabet af 1912 A/S (the Concessionaires) on the other part, agreement has been reached on the following amendments of the Sole Concession to Explore for and Recover Hydrocarbons from the Danish Subsoil, cf. Promulgation Order No. 372 of 7 November 1963, with related protocols of 16 July 1962, 10 October 1963 and 3 March 1972, together with Agreement of 15 July 1976 (hereinafter collectively designated "the Concession"), which is hereafter valid as amended.

The Agreement has the following content:

I. Area relinquishment

Article 1

Clause 1. The Concessionaires' right in pursuance of the Concession to explore for and recover hydrocarbons in the subsoil of Denmark is amended geographically. With the exceptions mentioned in Articles 2 and 5, the right of exploration and recovery lapses in respect of

- 1) 50 per cent of the area on 1 January 1982
- 2) 25 per cent of the area on 1 January 1984 and
- 3) the remainder of the area on 1 January 1986.

Clause 2. The size of the areas in respect of which the right lapses shall be calculated on the basis of the total area covered by the Concession prior to the area relinquishments effected on 1 January 1981 in pursuance of Article 5 of the Agreement of 15 July 1976.

Clause 3. With a view to the geographical amendment mentioned in clause 1, the blocks into which the concession area was divided under Agreement of 15 July 1976 shall be divided into quarter-blocks delineated by half degrees longitude and quarter degrees latitude.

Clause 4. The right shall lapse by the proportions mentioned in clause 1 of the area mentioned in clause 2 within each quarter-block. The same shall apply in quarter-blocks which are situated in border territories and which are determined not only by lines along half degrees longitude and quarter degrees latitude, but also by the border of Danish sovereignty, irrespective of the size of such quarter-blocks. In the calculation of the areas to be relinquished within quarter-blocks in which sixteenth-blocks are retained in pursuance of Article 5, such sixteenth-blocks shall be neglected.

Clause 5. The areas to be relinquished on 1 January 1982 shall include the areas relinquished on 1 January 1981 within the quarter-blocks in which they are situated, and within these quarter-blocks the Concessionaires shall thus relinquish on 1 January 1982 the additional area that is necessary in order to bring the total area relinquished up to 50 per cent of the entire area of each quarter-block.

Clause 6. If an area to which the right lapses cannot be determined without including an area to which the right is retained in pursuance of Article 2, then the area to be relinquished shall be reduced to the extent necessary.

Clause 7. The determination on 1 January 1982 and 1 January 1984 shall be effected such that both areas to which the right is retained and areas to which the right lapses constitute compact areas of a size and shape,

following the graticulate, that make them suitable for exploration and production. The individual boundary lines shall, wherever possible, be expressed in whole minutes.

Clause 8. The Concessionaires are entitled to designate the areas to which their right shall lapse. The Minister of Energy shall confirm that the size and shape of the areas are in accordance with the provisions of clause 7. The Minister of Energy will seek to reach a decision on the areas designated by the Concessionaires at the earliest possible time.

Clause 9. If the Concessionaires do not, within a time limit set by the Minister of Energy, submit proposals for such adjustments of the size and shape of the areas as are found necessary for approval of the determination, the Minister of Energy will make this determination himself. If the Concessionaires do not agree with the Minister of Energy's determination, they are entitled, within 30 days, to demand that the question be settled by arbitration, cf. Section VI.

Clause 10. If the Concessionaires have not, within the time limits mentioned in clause 1, made known the areas in respect of which their right shall lapse, the Minister of Energy shall himself determine these.

Article 2

Clause 1. The Concessionaires shall retain the sole right to:

- 1) Areas which comprise a field from which hydrocarbons are being produced or for which the Minister of Energy has approved production measures etc.
- 2) Areas which comprise a field in respect of which a satisfactory application for approval of production plans etc. has been submitted to the Minister of Energy.
- 3) Areas in respect of which the Concessionaires have declared to the Minister of Energy that deposits of hydrocarbons have been found under such conditions that production is technically feasible and must be regarded as profitable (commercially exploitable), and that production from these deposits will be initiated.
- 4) Areas in which the Concessionaires have proved hydrocarbon deposits through drilling after 1 July 1981.

For the Concessionaires to retain the sole right according to Nos. 1-4, the conditions mentioned therein shall be satisfied at the time when the Concessionaires relinquish the territory in which the area in question is situated.

Clause 2. Retention of the sole right in pursuance of clause 1, No. 1, to fields in which production has not been started is conditional upon production being started at the time specified in the production programme approved by the Minister of Energy.

Clause 3. Retention of the sole right in pursuance of clause 1, No. 2, is conditional upon the Minister of Energy approving the proposed production measures etc., and on production being initiated at the time specified in the production programme approved by the Minister of Energy. In setting the date for commencement of production, it shall be ensured that the deposit will be able to contribute in a suitable manner to Denmark's energy supply and that existing or planned treatment and transportation systems are utilized, and account shall also be taken of the Concessionaires' need for a viable financial basis. In the event of disagreement regarding the dates for commencement of production, this question shall be settled by arbitration, cf. Section VI.

Clause 4. The Concessionaires may only retain the sole right in pursuance of clause 1, No. 3, provided they submit a satisfactory application for approval of the production measures etc. to the Minister of Energy not

later than one year after issuing their declaration to the effect that the deposit is commercially exploitable and that the production will be initiated. The provision in clause 3 applies correspondingly.

Clause 5. Retention of the sole right in pursuance of clause 1, No. 4, is conditional upon the Concessionaires presenting a report to the Minister of Energy not later than six months after conclusion of the drilling by means of which the deposit was proved. The report shall contain a description of the deposit and a plan for the further works that are required to ascertain whether the deposit is commercially exploitable (work programme for assessment of discoveries). The work programme must be approved by the Minister of Energy and executed within a time limit of two years from the date of approval. The Minister of Energy may specify a longer time limit in special cases. To retain the right, the Concessionaires must also, before expiration of the time limit, submit to the Minister of Energy a satisfactory application for approval of production measures etc. or issue a declaration to the effect that the deposit is commercially exploitable and that production will be initiated. In the former case, the provision in clause 3 shall apply correspondingly. In the latter case, clause 4 shall apply correspondingly.

Clause 6. In special cases the Minister of Energy may allow the provision in clause 1, No. 4 to be applied in respect of a deposit proved by drilling before 1 July 1981.

Article 3

An area shall be delineated if, in pursuance of Article 2, the Concessionaires wish to retain the area in connection with the lapse of their right of exploration and production in the territory. The Minister of Energy will determine the delineation after negotiation with the Concessionaires and on the basis of the principles for delineation embodied in the Agreement of 15 July 1976. In the event of disagreement, the delineation shall be determined by arbitration, cf. Section VI.

Article 4

The Minister of Energy will lay down rules on the content of an application for approval of production measures etc. and on the information to be submitted in connection with a declaration in pursuance of Article 2, clause 1, No. 3. It is the intention mainly to adhere to the practice followed up to the present time and, in general, to formulate the rules as indicated in the explanatory notes on this Article 4 in Annex 1.

Article 5

Clause 1. With a view to continued exploration and production activities, the Concessionaires shall retain the sole right to a contiguous area of about one per cent of the original concession area, corresponding to seven sixteenth-blocks (with an average area of 212.5 km²) in the South-West sector. The sixteenth-blocks shall be delineated by quarter degrees longitude and eight degrees latitude. If the entire contiguous area is located in blocks 6.2, 6.3, 7.2 and 7.3 (apart from the westerly sixteenth-blocks in block 6.2, which border on block 6.1 on the Danish shelf), the Concessionaires shall retain eight sixteenth-blocks or nine, if the contiguous area comprises the whole of the Tyra field. Any sixteenth border-blocks that are included in the contiguous area shall be counted as whole sixteenth-blocks.

Clause 2. The contiguous area shall be compact, so that the sixteenth-blocks chosen shall have at least two sides adjoining the other sixteenth-blocks chosen, with the exception of one block, which need have only one adjoining side.

Clause 3. The Concessionaires will endeavour to determine the contiguous area before 1 October 1981 and shall in all circumstances determine it by not later than 31 December 1981.

Clause 4. The contiguous area shall be relinquished on the following dates:

1 January 2000:	25 per cent of the original contiguous area
1 January 2005:	25 per cent of the original contiguous area

At the expiration of the Concession in the year 2012:	the remainder
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Clause 5. The relinquishments shall be made by the proportions mentioned in clause 4 within each sixteenth-block. The provisions of Article 1, clauses 7-10, shall also apply. If an area that is to be relinquished on 1 January 2000 or 1 January 2005 cannot be determined without including an oil or gas field from which hydrocarbons are being produced, or for which production plans are submitted to the Minister of Energy, the area shall be reduced to the extent necessary. The field shall be delineated in accordance with the rules of Article 3.

Clause 6. After negotiations based on proposals presented by the Concessionaires before 1 January 1982, the Minister of Energy will approve, within a time limit of three months thereafter, a work programme for 6-year periods for each sixteenth-block. These work programmes shall be elaborated at regular intervals of three years for each coming six-year period.

In accordance with good practice, the work programmes shall cover the Concessionaires' obligations to the authorities with regard to a professionally performed exploration programme based on the national interest in effective exploration and aimed at ascertaining, within the 6-year period, whether there are exploitable reserves of hydrocarbons. The work programmes shall, in particular, specify the real exploration work to be performed. The work programmes shall give a time schedule for the specific activities, such as drilling etc. within the 6-year period. With a view to this, a procedure and a specific time schedule shall be agreed for determination of both the first set of work programmes and the subsequent sets to be elaborated every third year. At regular intervals, starting at the time of determining the contiguous area, the Concessionaires shall submit their interpretations of seismic data and other information that must be available to the authorities before the work programmes are approved by the Minister of Energy. Each of the parties may propose well-motivated alterations to the work programmes.

Clause 7. When deposits of hydrocarbons are proved by drilling, the Concessionaires shall proceed in accordance with the rules of Article 2, clause 5, in order to continue to retain the right to the discovery.

Clause 8. If agreement cannot be reached on the determination of the work programmes in pursuance of clause 6, the questions on which agreement cannot be reached shall be decided by arbitration, cf. Section VI.

Clause 9. If the Concessionaires do not submit, or do not adhere to work programmes in accordance with clause 6, or if the Concessionaires do not abide by an arbitral award in pursuance of clause 8, the Concessionaires shall relinquish the sixteenth-block or blocks in question. Such relinquishment shall not, however, comprise the areas to which the Concessionaires may retain the right under Article 2.

Article 7

The Minister of Energy may allow holders of permits for seismic and other forms of preliminary surveys of Denmark's subsoil with a view to exploring for hydrocarbons also to carry out such surveys in areas comprised by the Sole Concession.

II. Oil Pipeline

Article 8

Clause 1. On the basis of the Minister of Energy's Bill on the Establishment and Use of a Pipeline (L 156), it is anticipated that an Act will be introduced under which Dansk Olie & Naturgas A/S or a subsidiary of that company (hereinafter designated D.O.N.G. A/S) will establish and operate a pipeline with ancillary pump and terminal facilities for the transmission of crude oil and condensate.

Clause 2. The Concessionaires and their partners shall route through said pipeline crude oil and condensate recovered under the Concession from fields subject to an obligation to connect up with the pipeline, unless the Minister of Energy grants exemption from this obligation, cf. § 2, subsection 3, of the Bill.

Clause 3. The provision in § 2, subsection 1, No. 3, of the Bill shall not apply to the Concessionaires and their partners. Instead, a profit margin of 5 per cent will be charged on the value of the quantity of crude oil and condensate transported. This value will be calculated in the same way as the royalty in accordance with the Concession. The Minister of Energy may permit reduction of the profit margin in accordance with the rule contained in § 3, subsection 3, clause 2, of the Bill.

Clause 4. The amounts calculated in accordance with clause 3 of this Agreement shall be paid in cash. The provision contained in § 3, subsection 4, of the Bill shall thus not apply to the Concessionaires and their partners. However, it may be agreed between D.O.N.G. A/S and the partners in Dansk Undergrunds Consortium (hereinafter called D.U.C.) that payment shall be made in the form of crude oil and condensate.

Clause 5. In laying down rules on the distribution of the amounts dealt with in § 3, subsection 1, of the Bill, in pursuance of § 3, subsection 3, clause 1, when new users are connected, the Minister of Energy will, in principle, aim at an equal distribution between the users having regard to the utilization of the pipeline.

Clause 6. The Minister of Energy will aim at equal treatment of fields for which, in pursuance of § 3, subsection 3, clause 2, of the Bill, a reduction can be made of the amount dealt with in clause 3 of this Agreement and in § 3, subsection 1, No. 3, of the Bill.

Article 10

In the event of disagreement between the Concessionaires and the Minister of Energy on the following questions, these shall be settled by arbitration, cf. Section VI.

- 1) Questions regarding refusal of application by the Concessionaires for dispensation in pursuance of § 2, subsection 3, of the Bill.
- 2) Questions regarding specific conditions which the Minister of Energy may impose on the Concessionaires for connection and transportation in pursuance of § 2, subsection 4, of the Bill.
- 3) Questions regarding calculation of the value of the quantity transported in pursuance of Article 8, clause 3, of this Agreement.

III Right of purchase etc.

Article 11

Clause 1. With a view to ensuring a stable supply of oil products, the State or, if so determined by the Minister of Energy, a company owned by the State shall have the right to purchase a share of the liquid hydrocarbons that are recovered in pursuance of the Concession. This share shall amount to up to 40 per cent of the quantity of the hydrocarbon in question that is produced from 1 January 1982.

Clause 2. The right of purchase shall be exercised for one calendar year at a time and shall cover the hydrocarbons produced during the year. The right of purchase cannot take effect earlier than six months after the seller has received notification regarding this from the buyer. Unless otherwise agreed, delivery shall be made in Fredericia. The deliveries through the pipeline shall be made in such a way as to achieve as even a distribution as possible over the year with regard to quantities and qualities produced.

Clause 3. The price and other delivery conditions shall be settled by commercial negotiation between the parties. If agreement between buyer and seller on the price and other delivery conditions has not been reached by not later than three months after the seller has received the notification mentioned in clause 2 of this Article, either of the parties may demand that the matter be settled by arbitration, cf. section VI.

Clause 4. In the event of arbitration on the price, the buyer shall pay on account the purchase prices which the buyer regards as the correct prices.

Article 13

The seller has first refusal of delivered quantities of crude oil and condensate of which the buyer does not dispose or the sale of which he has not secured in pursuance of agreements such as the existing agreement of 19 December 1979 with a number of oil companies.

Article 14

The right of purchase does not restrict the State's right in pursuance of the other provisions of the Concession or its right by or in pursuance of special enactments, such as Act No. 236 of 6 June 1968 on Supply Measures, to make decisions on the sale or delivery of liquid hydrocarbons.

IV. Interpretation of the Agreement

Article 15

Annex 1 to this Agreement contains explanatory notes on some of the conditions of the Agreement. These notes shall constitute the basis for interpretation of the conditions in questions.

V. Negotiation

Article 16

It is agreed that any questions and problems that might arise in future in connection with the Concession shall be the subject of negotiation.

Article 17

In the event of the activities of the Concessionaires suffering delays which could not reasonably have been foreseen or averted, then within the framework of the legislation, the Concessionaires are promised sympathetic negotiation on an extension of the time limits laid down in Section I of this Agreement.

VI. Arbitration

Article 18

Clause 1. The disputes mentioned in Article 1, clause 9, Article 2, clause 3, Article 3, Article 5, clause 8, Article 10 and Article 11, clause 3, shall be settled by the Board of Arbitration mentioned in § 14, subsec-

tion 2, of Promulgation Order No. 372 of 7 November 1963. The same shall apply to disputes regarding alterations of approved production plans and regulation of production in pursuance of § 15, subsection 2, of Bill on the Use of Denmark's Subsoil (Bill No. L 187, Folketing Year 1980-81). The parties are agreed on the following additional rules on the appointment and work of the Board of Arbitration.

Clause 2. The Board of Arbitration shall be appointed at the request of one of the parties. When such request has been made, each of the parties shall designate an arbitrator within 30 days. In disputes as mentioned in Article 5, clause 8, these arbitrators shall be persons with special knowledge in the field of hydrocarbon exploration. Foreign nationals may be designated as arbitrators.

Clause 3. Within ten days, the designated arbitrators shall designate the third arbitrator, who shall be chairman of the Board of Arbitration. If agreement cannot be reached on this, the chairman shall be designated by the President of the Supreme Court from among the judges of the Supreme Court.

Clause 4. Unless otherwise agreed between the parties, the venue of the Board of Arbitration shall be Copenhagen.

Clause 5. The Board of Arbitration shall base its decisions on Danish law.

Clause 6. In the event of there not being a majority for a result among the members of the Board of Arbitration, the chairman shall have the deciding vote.

Clause 7. The decisions of the Board of Arbitration shall be final and binding on the parties.

VII. Other provisions

Article 19

The Government and the Concessionaires agree on the importance of accelerating the production of hydrocarbons as much as possible in the years to come.

Article 20

This Agreement is based on §§ 40 and 42 of the Bill introduced on the Use of Denmark's Subsoil (Bill No. L 187, Folketing Year 1980-81) and on the Bill introduced on the Establishment and Use of a Pipeline for the Transmission of Crude Oil and Condensate (Bill No. L 156, Folketing Year 1980-81). Such amendments to these Bills as are necessitated by this Agreement will be tabled.

Copenhagen, 19 May 1981

For the Concessionaires:

Sgd. A. P. Møller

For the Ministry of Energy:

Sgd. Poul Nielson

Annex 1 to agreement of 19 May 1981 between the Minister of Energy and the Concessionaires pursuant to the Sole Concession of 8 July 1962 to Explore for and Recover Hydrocarbons from the Danish Subsoil

In pursuance of Article 15 of the Agreement, the explanatory notes contained in this Annex on some of the provisions of the Agreement shall constitute the basis for interpretation of the provisions in question.

The basis for the negotiations on the Agreement was the following Bills with explanatory notes, which were tabled by the Minister of Energy on 30 January 1981:

1. Bill on Regulation of Sole Concession to Explore for and Recover Hydrocarbons from the Danish Subsoil (Bill No. L 155, Folketing Year 1980-81).
2. Bill on Establishment and Use of a Pipeline for the Transmission of Crude Oil and Condensate (Bill No. L 156, Folketing Year 1980-81).
3. Bill on Right of Purchase to the State in respect of Liquid Hydrocarbons (Bill No. L 157, Folketing Year 1980-81).

With some paraphrasing and additions, the following explanatory notes are taken from the explanatory notes on the Act on Regulation of Sole Concession to Explore for and Recover Hydrocarbons from the Danish Subsoil and Bill on Right of Purchase to the State in respect of Liquid Hydrocarbons.

EXPLANATORY NOTES ON PROVISIONS OF THE AGREEMENT

Re Article 1

Re clause 4:

In quarter-blocks bordering on countries with which border agreements have not been entered into, the reduction will be calculated from the median line, cf. § 2, subsection 2, of Decree No. 259 of 7 June 1963 concerning the Exercise of Danish Sovereignty over the Continental Shelf.

Re clause 6:

This provision implies that the right shall lapse by the shares of a quarter-block specified in clause 1, unless this cannot happen without the Concessionaires relinquishing areas to which they wish to retain the sole right in pursuance of Article 2 of the Agreement. Thus, if areas that are retained in pursuance of Article 2 constitute, say, 28 per cent of the area of the quarter-block, the right in respect of 50 per cent will lapse on 1 January 1982, and the right in respect of 22 per cent, on 1 January 1984.

Re Article 2

Re clauses 1-8:

The provisions in Article 2 specify some areas in which the Concessionaires may retain the sole right to explore for and recover hydrocarbons, and which will thus not be covered by the regulation in Article 1. The provisions also lay down the conditions on which these areas may be retained.

The purpose of the provisions is to give the Concessionaires the possibility of clarifying, within reasonable time limits, all the deposits which they have proved in their exploratory work in the period from the granting of the Concession in 1962 and up to 1 January 1986, in as much as discoveries made immediately prior

to that date may also be exempted with a view to final assessment of the importance of the discovery and initiation of production. All reserves proved by the Concessionaires may be exploited by them until the expiration of the Concession in the year 2012.

Re clause 1, No. 1:

In the Danish sector, hydrocarbons are at present only being produced from the Dan field, which went into production in July 1972. In addition, the Concessionaires have received approval of production plans for the Gorm and Skjold oil fields and the Tyra gas field. In accordance with the authorities' approval, production from the Gorm field will start in the spring of 1981. According to the approved plans, gas production from the Tyra field will start in October 1984. The right to these fields may be retained in accordance with clause 1, No. 1.

Special conditions apply to the Roar gas field; here, it was specified, in connection with approval of the natural gas project, that, subject to fulfilment of a number of specific conditions, the field was to be put into production by not later than 1 October 1989. The Roar field will thus be retained provided it is put into production by not later than the date mentioned.

The provision also implies that areas that comprise other fields than those mentioned may be retained provided they are put into production before the right to the areas lapses. The same applies to fields for which there are approved production plans, provided that production is initiated in accordance with the approval.

Re clause 5:

The provision in this clause gives the Concessionaires the possibility, within the specified time schedules and on the basis of an approved work programme, of carrying out necessary, additional investigations to ascertain whether a deposit can be exploited commercially.

For deposits which the Concessionaires wish to retain, the Concessionaires will be given six months from the completion of the drilling work, i.e. when the exploratory well has been properly sealed, for the evaluations necessary for the preparation of a programme for further investigations. Such a programme shall specify the investigations (seismic surveys, delineation wells, etc.), which the Concessionaires intend to initiate in order to assess the deposit.

The programme must also contain a plan for the performance of the individual works, in as much as it is specified in the Agreement that all the works must be completed with a time limit of two years. Only in special circumstances, for example, when the evaluation of a deposit requires extraordinary and time-consuming studies, or when the deposit extends into the Continental Shelf of another State, can the time limit be set at more than two years.

After completion of an approved work programme, continued retention of the right is conditional upon the Concessionaires either submitting a declaration as mentioned in clause 1, No. 3, before the expiration of the specified time limit, or submitting a satisfactory application for a production permit. In the latter case, retention is further conditional upon the Concessionaires' application being approved by the Minister of Energy and on production being started in accordance therewith. In cases in which the Concessionaires issue a declaration as mentioned in clause 1, No. 3, within the appropriate time limit, the Concessionaires will be allowed up to one year in which to elaborate an application for approval of production measures etc. Retention of the sole right will then depend on the same conditions.

Re clause 6:

The provision in this clause enables the Minister of Energy in special cases, to let the provision in clause 1, No. 4, cf. clause 5, apply correspondingly to deposits proved by exploratory drilling prior to 1 July 1981. This means, specifically, deposits where a final assessment of whether they are commercially exploitable requires such prolonged studies that these cannot be expected to be completed before the date on which the right to the area lapses. This means that, when applying for dispensation, the Concessionaires must explain

the special conditions and submit the work programme mentioned in clause 5 for approval. Clauses 7 and 8 contain detailed rules on dispensation in respect of deposits already proved by exploratory drilling.

Re Article 3

The object of field delineation is to create a zone around the deposit to which other holders of rights will not have access for exploration and production. With regard to permits for preliminary surveys, readers are referred to the explanatory notes on Article 7.

Delineation of all the areas which the Concessionaires are retaining in pursuance of Article 2 is necessary in order to ensure unambiguous determination of the boundaries to areas for which the right lapses.

Re Article 4

According to previous practice with regard to applications for approval of production measures etc., the Concessionaires have submitted a development plan for the deposit they intend to exploit.

This practice will largely be maintained in the rules now envisaged on the content of an application for approval of production measures etc.

The documents to be included in such an application are mainly as follows:

- a) A description of the hydrocarbon deposit(s) which the Concessionaires plan to produce, with detailed analyses and assessments of geological conditions and of technical factors relating to reservoirs and production, and financial matters.
- b) A production plan with information on the date of commencement of production and on the anticipated volume of the annual production for each year the deposit is intended to remain in production. If the plan covers several deposits, this information shall be given for each deposit covered by the plan and for the total production anticipated according to the plan.
- c) A general description of the installations which the Concessionaires intend to establish, including the number and types of wells, equipment for production and reinjection, measurement, storage and treatment, together with pipelines between individual parts of the installations, together with a detailed report on the planned transmission systems for the hydrocarbons produced.
- d) A risk analysis for the planned installations, listing measures to reduce identified risks.
- e) The Concessionaires' plan for implementation of the production project, including the time schedule and organization chart for the project.
- f) A detailed account of any uncertain factors in the project with regard to reserves, time schedule, economy, etc., together with all such data, studies, interpretations, mapped models, etc., as are necessary for assessment of the project.

In the envisaged rules it will be specified that the declaration shall contain such information as is necessary for assessing the deposit, including the technological and financial criteria on which the decision to declare the deposit to be commercially exploitable and to initiate production is based.

Re Article 7

This provision opens the way for the Minister of Energy to grant the holders of permits for preliminary surveys the right also to perform properly specified surveys in the areas in which the Concessionaires retain the sole right. Such surveys may include seismic studies etc., but not deep drilling.

The provision is intended to ensure the best possible mapping of the subsoil in the relinquished areas. In order to achieve this, it may be of decisive importance for the surveys to extend into areas to which the Concessionaires have the right. This may, for example, be necessary in order to be able to compare data from new seismic studies in a relinquished area with the actual knowledge of the geological succession of strata in an exploratory well in an area to which the Concessionaires have the sole right. The State may dispose freely over more than 5 year-old geological and geophysical data produced by the Concessionaires, whereas similar data that are less than 5 years old may only be made available to new companies by the Concessionaires. Surveys carried out in areas covered by the Sole Concession must be specified and performed having due regard to the Concessionaires' activities in the area. It will be made a condition that the Concessionaires be informed before activities are carried out in the area.

Such preliminary surveys may not be conducted within temporary or permanent safety distances from the Concessionaires' exploration and production installations.

Re Article 11

Re clause 1:

In this Agreement liquid hydrocarbons shall be understood to mean crude oil and condensate. Condensate is hydrocarbons that occur in liquid form in connection with the treatment of natural gas.

Re clause 3:

Considering the very unstable conditions that have characterized the crude oil market in recent years, it has not been considered appropriate to attempt to define in the Agreement the basis on which the price should be fixed.

However, it must be regarded as natural when determining the price to take account of the quality of the different types of oil, the transportation distance, etc.

The buying agreement must moreover be based on the usual conditions applying to oil trading.

The provision does not exclude periodical determination of the price or of the basis for calculating this on a commercial basis.

Re Article 14

The Concessionaires and their partners have not yet, by this provision, renounced their right to claim that possible future legislation constitutes an infringement of their rights that entitles them to compensation.

**Agreement of 17 July 2000 on Area Relinquishment and Field Delineation for the
Contiguous Area, effective 1 January 2000**

pursuant to Clause (4) of Article 5 of Agreement of 19 May 1981
between
the Minister for Energy
and
the Concessionaires under the Sole Concession of 8 July 1962
to Explore for and Recover Hydrocarbons from the Danish Subsoil

Introduction

Following negotiations between the Danish Energy Agency (DEA) on behalf of the Minister for Environment and Energy, of the first part, and the Concessionaires under the Sole Concession of 8 July 1962 to Explore for and Recover Hydrocarbons from the Danish Subsoil ("the Concessionaires"), of the second part, an agreement has been reached on relinquishment of areas with effect from 1 January 2000 pursuant to Clause (4) of Article 5 of the Agreement entered into between the parties on 19 May 1981.

The parties agree that the chosen interpretation of the Agreement of 19 May 1981 only applies to the present area relinquishment and thus does not set a precedent for any future agreements on area relinquishment.

Furthermore, the parties agree that the delineation of the fields within the Dan, Igor, Skjold, Tyra, Adda and Roar blocks, see Fig.1, Tables 1-15, is final, unless otherwise specified below. In the Emma, Jens and Rosa blocks, no final delineation of the fields has been made. However, the delineation within the blocks mentioned in section 2 below can be changed in connection with the conditions laid down in the section.

The following has been agreed:

1. Emma, Jens, Adda and Rosa Blocks

A total of 25% of the area in the blocks Emma, Jens, Adda and Rosa shall be relinquished. The areas appear from Fig. 1 and Tables 16-19. The work programme for The Contiguous Area, 2000-2005, submitted on 30 December 1999, shall be adjusted as re-

gards the above-mentioned areas so that working obligations are annulled for the areas relinquished.

2. Dan, Igor, Skjold, Tyra, Adda and Roar Blocks

One or more of the areas A-H in the blocks Dan, Igor, Skjold, Tyra and Roar shall be relinquished to the extent set out below. The areas appear from Fig. 1. In these areas there is not adequate information today to make a final area delineation, for which reason the areas are only included on a preliminary basis. In the areas that are not relinquished in their entirety on 31 December 2001 (Area E, 31 December 2002), the delineation shall be made by the DEA on 30 June 2003 at the latest (Area E, 30 June 2004) following negotiations with the Concessionaires. The areas that are subsequently outside the field delineation shall be relinquished immediately.

If gas is encountered in one or more of the areas A-H, the development of such areas shall depend partly on the annual demand for gas and partly on a satisfactory agreement on gas sales. Therefore, the date for implementation of development and production from the gas accumulations in the areas A-H shall be fixed annually in the same way as indicated in the Ministry of Energy's approval of the start-up of certain fields of 30 March 1990, in which the Concessionaires are ordered to submit an updated basis for possible revisions of start-up dates for the fields once a year.

The possibilities for relinquishment of one or more of the areas A-H mentioned in sections 2.1 to 2.8 are exhaustive, and additional relinquishment shall not take place in the Dan, Igor, Skjold, Tyra, Adda and Roar blocks. Thus, no further area relinquishment shall take place as of 1 January 2005.

No more than 25% of any block shall be relinquished before 1 January 2005.

The Concessionaires shall submit a report on the individual areas to the DEA on 31 December 2001 at the latest (Area E, 31 December 2002). If the areas A-H are not relinquished, updated development plans shall be submitted (but not approved) on 31 December 2001 at the latest (for Area E, however, on 31 December 2002 at the latest).

The wells agreed upon in the individual areas may also be extensions of wells serving other purposes in adjacent areas.

In connection with the report on the areas A-H on 31 December 2002 (for Area E, however, on 31 December 2003), allowance shall be made for a 35% additional area when determining whether an initiated or planned activity can lead to recovery from the area in question. This also applies to any delineation made by the DEA following negotiations with the Concessionaires on 30 June 2003 (for Area E, however, on 30 June 2004).

2.1 The Dan Block, Area A

New seismic acquired in connection with the current work programme for Licence 5/99 ("Kraka Extension") will cover the Dan area. The new seismic data are expected to improve the mapping of the area's reservoir properties and hydrocarbon distribution and extent to the east. The seismic interpretation and modelling are expected to be completed on 30 September 2001.

On the basis of the new seismic interpretation and production experience from the Dan Field's Southeast flank, an integrated reservoir study is planned to be carried out comprising the possibility of a further development of the Dan East Flank. This study is expected to be available on 31 December 2001.

The further development is expected to include one or more horizontal producers drilled from the Dan A platform.

Area A shall be relinquished on 31 December 2001 provided that the Concessionaires have not initiated or planned to initiate activities before 31 December 2002 that can lead to recovery from the area. The activities shall comprise at least one well in the area to be spudded on 31 December 2002 at the latest.

2.2 The Igor Block, Area B

The new seismic over the Dan area acquired in connection with the current work programme for Licence 5/99 ("Kraka Extension") will be integrated with existing seismic data from the Dan - Igor area. The new seismic interpretation and modelling are expected to improve the mapping of the area's reservoir properties and hydrocarbon distribution. The seismic interpretation and modelling are expected to be completed on 30 September 2001.

On the basis of data from the Dan, Igor, Sif and Halfdan areas as well as the integration of the seismic mapping, an integrated reservoir study is planned to be carried out, including the possibility of developing the Igor South Flank, Area B. This study is expected to be available on 31 December 2001.

The further development can be expected to comprise one or more horizontal producers drilled from a joint future Sif/Igor platform position, ref. the Sif Field Development Plan, Mærsk Olie og Gas, December 1999.

Area B shall be relinquished on 31 December 2001 provided that the Concessionaires have not initiated or planned to initiate activities before 31 December 2002 that can lead to recovery from the area. The activities shall include at least one well in the area to be spudded on 31 December 2002 at the latest.

2.3 The Skjold Block, Area C/Lola Delineation

The new seismic acquired in connection with the current work programme for Licence 5/99 ("Kraka Extension") will cover the Lola area. The new seismic data are expected to improve the mapping of the area's reservoir properties and hydrocarbon distribution. The seismic interpretation and modelling are expected to be completed on 30 September 2001.

On the basis of the new seismic interpretation, the location of the planned producer, Lola Flank-1, ref. the Lola Field Development Plan, December 1999, will be optimised before 31 December 2001.

Lola Flank-1, expected to be drilled from the Skjold platform, is planned to be drilled in 2002.

The area comprising the Lola delineation shall be relinquished on 31 December 2001 provided that the Concessionaires have not initiated or planned to initiate activities before 31 December 2002 that can lead to recovery from the area. The activities shall include at least one well in the area to be spudded on 31 December 2002 at the latest.

2.4 The Skjold Block, Area D

The northwestern part of Halfdan is planned to be further developed with a long horizontal well, Skjold 30, to be drilled from the Skjold platform. Skjold-30 is planned to be drilled before 31 December 2000.

The new seismic acquired in connection with the current work programme for Licence 5/99 ("Kraka Extension") will cover the northwestern part of the Halfdan area. The new seismic data are expected to improve the mapping of the area's reservoir properties and hydrocarbon distribution. The seismic interpretation and modelling are expected to be completed on 30 September 2001.

On the basis of the new seismic interpretation and production experience from the northwestern part of the Halfdan area, the further development of Halfdan to the northwest is planned to be evaluated. This evaluation is expected to be available on 31 December 2001.

The further development is expected to include one or more horizontal producers drilled from Halfdan to the northwest.

Area D shall be relinquished on 31 December 2001 provided that the Concessionaires have not initiated or planned to initiate activities before 31 Decem-

ber 2002 that can lead to recovery from the area. The activities shall include at least one well in the area to be spudded on 31 December 2002 at the latest.

2.5 The Tyra and Skjold Blocks, Area E

The new seismic over the southern part of the Tyra block acquired in connection with the current work programme for Licence 5/99 ("Kraka Extension") will be integrated with existing data from the Tyra area. The new seismic interpretation is expected to improve the mapping of the area's reservoir properties and hydrocarbon distribution. The seismic interpretation and modelling are expected to be completed on 30 September 2001.

On the basis of data from Halfdan, Tyra Southeast, Tyra Nose, Tyra and Lily as well as integration of the seismic mapping, the location of the planned producer in Tyra South will be optimised. This work is expected to be finished before 31 December 2002, as new data from wells in Tyra Southeast and Nose are not expected to be available before 2002.

The horizontal producer, TSMO-SF, planned to be drilled from the coming Tyra Southeast platform, ref. the Tyra Field, Tyra South Flank Development Plan, Mærsk Olie og Gas AS, December 1999, is expected to be drilled before 31 December 2003.

Area E shall be relinquished on 31 December 2002 provided that the Concessionaires have not initiated or planned to initiate activities before 31 December 2003 that can lead to recovery from the area. The activities shall include at least one well in the area to be spudded on 31 December 2003 at the latest.

2.6 The Tyra Block, Area F

The reservoir potential on Tyra East Flank, Area F, is planned to be evaluated by means of existing seismic and production experience from planned wells. Acoustic impedance and attribute analysis are planned to be used for the seismic mapping. The seismic mapping is expected to be carried out before 31 December 2001.

The Tyra Development Plan includes two producers planned to be drilled from Tyra East to the north and northeast (TEG-4 and TEG-5), ref. the Tyra Field Development Plan of March 1999. The wells are planned to be drilled as horizontal wells extended towards the flank to evaluate its production potential. At present, the wells are planned to be drilled before 31 December 2001.

On the basis of the seismic interpretation and production experience from the Tyra East wells, the possibilities for further development of the Tyra East

Flank will be evaluated. The further development may include one or more wells expected to be drilled in 2002.

Area F shall be relinquished on 31 December 2001 provided that the Concessionaires have not initiated or planned to initiate activities before 31 December 2002 that can lead to recovery from the area. The activities shall include at least one well in the area to be spudded on 31 December 2002 at the latest.

2.7 Valdemar, Area G

The oil accumulation in the Upper Cretaceous chalk in the area from North Jens towards Bo in the south is planned to be drained with a horizontal producer (Valdemar-5), ref. the Valdemar Field Development Plan of December 1999. The well, which will be drilled from the Valdemar platform, is planned to be drilled before 30 June 2001. Valdemar-5, however, is planned to be drilled during the first six months of 2001.

The Upper Cretaceous reservoir potential and the possibility of further development in the Bo area will be re-evaluated on the basis of new geological data and production experience from the Valdemar-5 well. The Bo Upper Cretaceous reservoir evaluation is expected to be completed before 31 December 2001.

The Bo Upper Cretaceous chalk reservoir is planned to be further developed, on the basis of a positive reservoir evaluation, with a long horizontal producer, ref. the Valdemar Field Development Plan, December 1999. The well, which will be drilled from the Roar platform, is planned to be drilled before 1 April 2002.

The wells planned to be drilled in the Bo and Roar areas will be provided with production zones that optimise the drainage of the southwestern flank of Bo, Area G.

Area G shall be relinquished on 31 December 2001 provided that the Concessionaires have not initiated or planned to initiate activities before 31 December 2002 that can lead to recovery from the area. The activities shall include at least one well in the area to be spudded on 31 December 2002 at the latest.

2.8 Boje, Area H

Area H shall be relinquished on 31 December 2001 provided that the Concessionaires have not initiated or planned to initiate activities before 31 December 2002 that can lead to recovery from the area. The activities shall include at least one well in the area to be spudded on 31 December 2002 at the latest.

3 Recovery from Other Reservoir Horizons, including Upper Jurassic Shale

The production potential of Upper Jurassic low-lying shale in the Valdemar and Skjold areas shall be re-evaluated, and test production is planned to be initiated during 2001 from a horizontal well in the Valdemar area where the shale is considered to be more fractured. Depending on the results from this, further development with horizontal wells will be evaluated. If by 31 December 2001, these results lead to recovery plans that, with an addition of 35%, comprise parts of the areas A-H, the parts in question shall not be relinquished.

With regard to recovery from other reservoir horizons and further working obligations, the planned work shall be incorporated in a programme for each sixteenth block with a clear indication of timing.

4 Further Working Obligations

Furthermore, the Concessionaires shall be under an obligation to carry out the following activities, which will be described in detail in the work programmes for each of the nine blocks to be submitted for the DEA's approval as soon as possible after the conclusion of this agreement:

- 4.1 Re-evaluation of the Middle Jurassic hydrocarbon potential of the Lola structure. The re-evaluation of the Middle Jurassic potential is conditional on the results from the development of the Alma Field. The re-evaluation is expected to be carried out in the period 2003-2005.
- 4.2 Re-evaluation of the Middle Jurassic potential in the Dan East structure. The re-evaluation is conditional on the results from the development of the Alma Field. The work is expected to be carried out in the period 2003-2005.
- 4.3 According to the DEA, new research results seem to support the assumption regarding the presence of reservoir sand in the Upper Jurassic, Volgian interval. Furthermore, according to the DEA, a number of interesting seismic anomalies have been identified, in the Upper Jurassic package. In the light of this, the reservoir potential in the Upper Jurassic interval shall be re-evaluated, including in the "Pocket Lead" in the Skjold and Tyra blocks. The work is expected to be carried out in the period 2000-2005.
- 4.4 Re-evaluation of Middle Jurassic leads and prospects, partly comprising an evaluation of the possibilities of mapping further potential by means of new research results within seismic modelling, and partly a re-evaluation of the

mapped leads and prospects, taking into consideration the possibility that the leads and prospects are gas accumulations. The work is expected to be carried out in the period 2000-2005.

4.5 The potential of the Lower Cretaceous layers in the Roar, Jens, Adda, Tyra and Rosa blocks shall be re-evaluated, among other things, on the basis of the results from the "Priority" research, including seismic modelling with a view to porosity mapping and structural development history. The work is expected to be carried out in the period 2002-2005.

4.6 Evaluation and possible re-evaluation of leads and prospects that might be identified during the investigations mentioned in sections 4.1 - 4.5 above are expected to be carried out in the period 2000-2005.

5 Force Majeure

All time limits in this Agreement shall be subject to the usual reservations as regards force majeure, etc.

6 Conclusion

Any disputes between the parties in connection with this Agreement shall be settled by arbitration as laid down in Article 18 in the Agreement of 19 May 1981.