

# Best practice work processes in licenses in NCS

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## 1. Introduction

The purpose of this document is to recommend best practices in and between licenses on the NCS. These best practices will improve alignment, collaboration and standardization of routines which will benefit operators, partners and authorities in the licenses. The recommended best practices are to be used for improved license management and are not legally binding. Adhering to the described best practices will aid in reducing misunderstandings and misinterpretations and will help strengthen business focus and results.

The Joint Operating Agreement (JOA) is the legal framework between oil and gas companies that engage in joint petroleum activities and regulates the cooperation between the license parties on a general level. On a daily level, practical routines and solutions are agreed, but they may differ between licenses. A partner who is owner in several licenses, may therefore have to comply with different practices.

The Konkraft report recommends standardization and simplification in the industry. These best practices describe how Konkraft recommendations can be implemented in the NCS licenses.

Best practices for communication and involvement with the authorities are described in Chapter 6.

## 2. Definitions and abbreviations

AA – Accounting Agreement

AMI – Area of Mutual Interest

Authorities – ASD, MPE, NPD, PSA

ASD – Ministry of Labour and Social Affairs (Arbeids- og sosialdepartementet)

HSE – Health, Security, Environment

JOA – Joint Operating Agreement

JV – Joint Venture

MC – Management Committee

MPE – Ministry of Petroleum and Energy

NCS – Norwegian Continental Shelf

NEA – Norwegian Environment Agency

NPD – Norwegian Petroleum Directorate

Party/parties – Owners of a license

Partner/partners – Owner of a license except operator

PSA – Petroleum Safety Authority Norway

The System, currently “License2Share” including “Authority Communication”, is the official communication and archiving solution for administrative interaction between operators, partners and authorities for all JVs on the NCS. It is designed to meet the requirements for handling of information as stated in the JOAs and Unit Agreements. Authorities in this context include MPE, PSA, NPD and ASD.

The best practices apply to the following JV types:

- Production License
- Business Arrangement Area
- Transportation and Utilization Facility
- Area of Mutual Interest
- PartnerForum

### 3. Information processes

The operator is responsible for informing partners of events and circumstances which may be of importance to the license (JOA Art.3.3). The operator evaluates continuously what information to be shared with the partners.

#### 3.1 Publishing information

The JOA addresses the operator's obligation to keep the partners informed:

- Reports and other information concerning the activities shall be prepared and submitted to the management committee as soon as such information is available (JOA Art. 3.4)
- The management committee shall deal with and decide matters pertaining to co-operation with licensees of other license areas (JOA Art. 1.4).

Written information in this respect is shared via The System.

Daily drilling reports and daily production reports should be published at a fixed time, preferably as early as possible each day. Reports from Saturdays, Sundays and public holidays are published on next working day.

Not all authority matters are subject to license approval, for example:

- Production applications (oil/liquid)
- Flaring applications
- Applications for consent
- Applications for life-time extensions
- Applications for exemption of area fee
- Impact assessments
- Discharge applications
- Revised National Budget
- Annual status report to NPD

but partners should be informed of them and of potential replies from the authorities.

#### 3.2 Notification about incidents

Information of HSE incidents and unexpected production incidents are shared according to the following rules, ref. Petroleumsforskriften §79a.

##### 3.2.1 HSE incidents

- Operator informs MC members or their line management of serious incidents promptly
- Partners have emergency response system in place and keep it current
- Incident reports sent to the authorities are also shared with the partners in The System
- Operator's investigation reports should be shared with the partners
- Serious incidents are followed up with experience transfer and learning sessions in the license, e.g. in license meetings, and preferably also across licenses (ref NOROG "141 Recommended guidelines for managing major accident risk in licenses", Art 2.2.4)

##### 3.2.2 Production incidents

- Partners are informed via daily production report
- Additional information is given in The System or in license meetings as required
- With regards to gas production incidents in Gassco operated systems, shippers will be informed by Gassco as soon as possible via notifications and updated availability messages

## 4. Cooperation processes

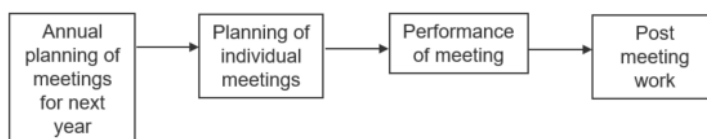
The operator and partners cooperate according to the regulations in the JOA and Unit Agreements. There is also an extensive contact across licenses as well as external parties.

### 4.1 Meeting process

The JOA describes the formal routines and requirements for MC meetings.

MC may choose to establish one or more sub-committees to deal with special matters. The sub-committees have no decision authority. They prepare matters and give advice to the MC. The sub-committees may run scheduled meetings with a more or less fixed agenda as well as ad hoc meetings on specific topics.

The general meeting process is according to the following steps and further described in the subsections below.



#### 4.1.1 Annual planning of meetings

- Before year end operator presents a meeting schedule for planned meetings next year. The schedule lists meetings for all committees as far as possible, both formal meetings, work meetings and other planned activities like offshore visits, site visits, risk workshops, strategy workshops, budget meetings, etc.
- Once the schedule is settled the operator creates calendar entries in The System. Preliminary data may be entered for start/end of meeting, location, responsible, etc.
- Notification about a meeting is sent to partners and authorities as observers

#### 4.1.2 Planning of individual meetings

- Call for MC meetings shall be submitted at least ten working days in advance of the meeting date and shall at least state time, venue, agenda, and matters for decision with appropriate background documentation. For sub-committee meetings and work meetings best practice is to publish a proposed agenda one week before the meeting. The agenda should be uploaded to The System as a separate document or message
- Any other matters to be added to the proposed agenda for a MC meeting should be requested via The System five working days before the meeting. Matters not included on the agenda may only be addressed at the meeting if all members agree. The same rule applies for sub-committee meetings and work meetings
- If a calendar entry already exists, the preliminary meeting data is verified or changed
- If vital data in the calendar entry is changed, partners and observers should be notified
- Once a need for an additional meeting is identified or it is necessary to re-schedule a planned meeting, partners should agree to a date. Informal discussions forth and back to agree a date should preferably take place via mail, telephone or in meetings
- Acceptance should state clearly if participation is via video or telephone, otherwise physical appearance is assumed
- Meeting documents for formal MC meetings shall be published five working days before the meetings
- Meeting documents for other meetings should be published as early as possible
- Title of a meeting document in the System should reflect the agenda item it relates to
- The operator should keep partners informed of potential updates of the meeting documents
- If a meeting is cancelled this should be highlighted in the calendar entry and partners informed accordingly

#### 4.1.3 Performance of meeting

- Meeting participants should attend the meeting prepared also on relevant information shared in other committees
- Presentations shown in the meeting should be identical to those made available to the participants in advance
- Participants agree in the meeting to action points noted in the meeting
- Participants indicate potential agenda items for the next meeting

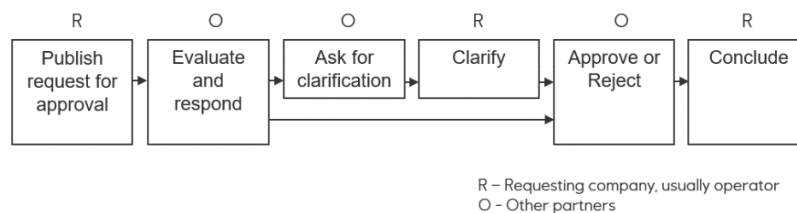
#### 4.1.4 Post meeting work

- The System shall contain the same version of meeting documents as was used in the meeting
- Minutes of formal MC meetings are submitted as stipulated in the JOA. The minutes should as a minimum reflect decisions or action points. The meeting documents are regarded as part of the minutes but are not subject to approval
- Agreed action points should be closed as quickly as possible
- Minutes of sub-committee meetings are not required. Action lists are used as and when applicable

### 4.2 General approval process

A meeting is a forum for exchange of information, strategy, discussions, aligning on way forward and, for MC meetings, decision making. Approvals are also made on a day-to-day basis in The System. For such decisions each party should always confirm its opinion/remarks in writing using The System.

Decision making in The System starts with a request for approval and ends with a final conclusion according to the following process and further described in the subsections below:



#### 4.2.1 Publish request for approval

- Make sure the document is as informative as possible
- Make sure the document refers to previous communication of the matter and to budget item, if applicable
- Since MC is the supreme body of the license and the only committee with decision authority, the document must be forwarded to MC
- Specify deadline
  - o Minimum 10 working days, if possible (ref JOA article 2.1)
  - o 5 working days for procurement matters (ref 5.1)
- In case immediate response is required the partners should be notified by a telephone call
- Partners who know that an upcoming decision will take time to process internally should inform operator and other partners early to agree to a realistic deadline

#### 4.2.2 Evaluate and respond

- Respond with a clear approval/rejection as quickly as possible
- Give immediate feedback if the deadline cannot be met

#### 4.2.3 Ask for clarification

- Request for clarification should be published as quickly as possible in order to have the matter completely processed in the license within the given deadline

- Requests for clarification must be forwarded via The System, not by mail or telephone, and made available to all partners

#### 4.2.4 Clarify

- Requesting company should respond as quickly as possible, not awaiting response from other companies

#### 4.2.5 Approve or reject

- When approving in The System try to respond with a clear approval or rejection and avoid additional conditions to the approval if possible

#### 4.2.6 Conclude

- If not specifically agreed in the MC a no-response cannot be regarded as approval, even if the deadline is exceeded. All partners should state their view within the deadline
- Requesting company has the right to conclude as soon as the voting rule has been fulfilled and is not obliged to pursue outstanding matters any further. It is highly recommended that requesting company informs of how potential objections and conditions have been or will be treated
- In case it can be disputed whether the conclusion is correct, the requesting company should publish a comment with relevant documentation
- According to the JOA (Art 2.4) voting results shall immediately be reported to MC in writing. Instead of reporting in writing it is best practice to offer and maintain overviews of voting results in The System

### 4.3 Cooperation with third parties

The license shall regard all other licenses and external parties as third parties as defined in the JOA and, thus, specific license information must not be disclosed unless unanimous approval to do so in the license.

If a license receives requests from a third party to use its facilities, it is subject to “Forskrift om andres bruk av innretninger”, commonly referred to as Third Party Access Regulation – TPA, -. Hereunder

- The license shall respond within 15 days on §5 requests (“Forespørsel om kapasitetsoversikt”)
- The license shall respond within reasonable time on §6 requests (“Forespørsel om bruk”)

Written communication with third parties should take place via The System.

For negotiations with third parties see chapter 5.5.1.

Authorities must be informed according to section 14 of “Regulations relating to the use of facilities use by others”.

## 5. Other processes and routines

The procurement process, budget process and the process for releasing information to third parties described below are all approval processes. The principles and best practices of the general approval process described in chapter 4.2 apply.

### 5.1 Procurement process

The procurement process is regulated in the JOA (Art. 13).

- The operator shall as part of the 1 October budget submission prepare an overall procurement and contract strategy for significant purchases for MC approval and include an

overview of the significant purchases planned for the coming year (procurement plan). The procurement plan should be updated as and when required

- Requests for approval of purchase strategies, including bidders list and approval of suppliers shall be submitted to the MC at least 5 working days prior to the approval deadline
- The expected contract value to be approved shall not include the value of options for potential extensions of a contract. Extensions of contracts are to be submitted as separate requests for approval
- For purchases without competitive bidding (single source) the operator must justify why a deviation from the requirements for competitive bidding is considered legitimate
- A press release which is prepared by a vendor after the vendor has been awarded a contract requires no approval by the license
- Procurement matters and the processes for approval of purchase strategies, including bidders list and approval of suppliers must be handled in the Procurement Confidential area of The System
- When stated in the voting rights given in the Special Provisions of the JOA (i.e. for licenses awarded after 1 September 1995) that Petoro (the Manager), shall not be party to information nor exercise any voting rights on decisions regarding sources of procurement to the activities, a dedicated area or folder within the Procurement Confidential area of The System must be established for the approval of suppliers process. Specific distribution lists for the approval of the suppliers folder must be established accordingly. The specific distribution lists are maintained by the operator and each partner must nominate persons that require access to the approval of the suppliers folder within the Procurement Confidential area

## 5.2 Budget process

Deadlines for submission of preliminary, proposed and final budgets, and deadline for approval are as stipulated in the JOA (Art. 12).

- The budget document should specify clearly which modification projects and other items will be subject to separate license approval, if any
- KPIs should be included in the budget document
- Operators should use budget items consistently (JOA Art. 12.4)
- Questions to the 1 October budget should be raised as early as possible to be able to get approval by 1 December. If requested, a budget meeting should be held for clarification purposes, preferably during October
- According to letter from NPD as of 5. October 2020, Budgets must be submitted to the NPD. This applies for Preliminary Budget (1. June), Operators proposed budget (1. October) and Approved budgets. In addition, substantial changes in plans and budgets shall be forwarded. In addition to budget document as prepared by the operator, a standard Excel file must be submitted. MPE is to receive Approved budget and substantial changes (no Excel-file). Legal reference is "[Regulations to Act relating to petroleum activities](#)", section 50.
- Attached template for the budget document may be used

## 5.3 Release of information to conferences, journals, etc.

Information shall not be given to third parties unless it has been unanimously approved by all licensees (JOA Art. 27.2). This applies to conference papers, external presentations, posters, news articles, papers to journals etc.

- Information has to be approved even if it has been anonymized with respect to field, installation, well, etc
- Brief abstracts to conferences and journals need not be sent for approval unless it contains specific license information, but final paper/presentation needs approval
- If the information is known to the public already or has been approved before, no new approval is required
- MC members should notice that they have to respond since unanimity is required



## 5.4 Communication process

Operators and partners communicate via The System. They also communicate in meetings, via telephone and electronically.

### 5.4.1 Written communication

- The System is the main communication tool within a license
- The System offers traceability and archiving and shall be used for all communication where traceability and archiving are required
- A request from a partner outside The System shall be shared within the license in The System, if relevant
- Information which has been shared with one of the committees in the license is regarded as received
- Letters/memos etc. which are shared within a license need not be signed manually
- Letters/memos etc. which are sent between licenses need not be signed manually, but should make it clear that the document has been signed electronically and therefore does not include a handwritten signature

### 5.4.2 Other communication

- Partners are encouraged to contact committee members/chairs and their deputies or license coordinators, not other individuals in the companies, unless agreed otherwise

## 5.5 Negotiations and signing of agreements

### 5.5.1 Negotiations

- Mandates for commercial negotiations are approved according to the voting rules of the license
- If the System is used for sharing negotiation information the negotiation leader must decide how to protect the information sufficiently and what information needs to be subject to restrictions, ref. 5.10

### 5.5.2 Signing of agreements

- Agreements which have been approved and archived in The System need no paraphrasing before signing, if not agreed specifically.
- Agreements which regulate the relationship between all license partners, such as JOA and Unit Agreement and their appendices, shall be signed by all parties. Each party determines if proxy is required for their own signing, if not asked for by the other parties.
- Commercial agreements which regulate the relationship between licenses, such as tie in agreements, pipeline crossing agreements, proximity agreements, etc., can be signed by operator on behalf of all parties once the agreements have been approved by the partners according to the voting rules
- An information sharing agreement is a commercial agreement aimed at securing that license information is not disclosed to third parties without the consent of all companies in the license (JOA 27.2). A confidentiality agreement shall ensure that this information is kept confidential. Both agreements are relevant, for example for tie-ins, and require unanimous approval among the companies. Formally, such agreements shall be signed by each company, but if the companies have stated their approval in The System, they may be signed by the operator on behalf of the companies. This is also most often done for Confidentiality agreements and for tie-in agreements according to NOROG standard.

## 5.6 Data room

A party shall inform other partners of disclosure of license information to third parties regarding possible sale of participating interests in a license (JOA 27.2).

- Approval from the other license partners is not required
- Access to license information must be subject to NOROG's standard confidentiality

- agreement ("01 - Norsk olje og gass - Anbefalt modellavtale for bruk av konfidensialitetsavtaler i datarom")
- Requesting party decides which information is relevant to include in the data room. A limited set of information may be included as a first step, while more detailed information may be offered as a second step after short-listing of stakeholders
- The System will offer extract of relevant license information to the data room

## 5.7 Project routines

Projects that are likely to be subject to approval from the authorities should be handled according to Guidelines for plan for development and operation of a petroleum deposit (PDO) and plan for installation and operation of facilities for transport and utilization of petroleum (PIO).

- Concept selection and project sanction are subject to license decision. Operator's work prior to the concept selection phase is not subject to license decision, however, early involvement secures ownership and provides a good basis for further cooperation and project success
- The parties should seek alignment before major decisions to agree to deliverables from operator, partner involvement, cooperation principles, commercial process, project plan and meeting schedule for the next phase. This may be documented in a "Frames of reference" or "Terms of reference" document which ensures framing and predictability of the project going forward
- Each partner should endeavor to align their internal decision process to the project milestones and communicate challenges or requested adjustments at the earliest opportunity
- Discipline experts from partner companies should be invited to project reviews when relevant
- After project sanction the progress of the project is reported on a monthly basis to the partners unless agreed otherwise
- Each license must figure out how it will define "significant" in the context of "significant development project/modification project/change" (JOA 12.6)
- For major projects or special activities implying a substantial risk exposure, the Operator shall submit an overview of the risk management to the management committee (JOA 11.6)

## 5.8 Notification of new information in The System

As a general rule, the target group for information that is being shared via The System, should always receive a notification when new information is uploaded unless the type of information is published more or less at fixed points, for example monthly reports, weekly reports, daily reports, cash calls and joint interest billing.

MC is the supreme body of the license (JOA Art. 1.3). It has a key role in the strategy process focusing on goals and setting direction. MC can be notified by cases being prepared by sub-committees but is generally not involved. MC members who want to be involved in the preparatory work should consult their sub-committee representatives and/or follow the progress of the case in The System.

- Notifications should be sent to relevant committee and its subscribers, not to individuals
- Authority observers should receive notifications in line with regular members in committees, unless it relates to restricted information (ref 5.10).

## 5.9 Voting rules and unanimity

As a general rule, matters which are regulated in the JOA, Unit Agreement, "Utvinningstillatelse" or their appendices are decided by applying the voting rules, unless stated otherwise in these documents. Other matters not regulated by these documents require unanimity. Some examples where unanimity is required:

- Change of threshold values for purchases (JOA 13.1)
- Change of number of MC meetings per year (JOA 2.1)
- Disclosure of information to third parties, including press releases (JOA 27.2)
- Partial relinquishments (ref "Utvinningstillatelse")
- Change of voting rules ("Utvinningstillatelse")

- Matters not included in the MC agenda coming i.e. Any Other Business, proposed for discussion at the meeting (JOA 2.1)

### 5.10 Confidential information

The definition and treatment of confidential information vary across companies. In the context of The System, the following rules are regarded as best practice:

- All information in The System is license property
- If necessary, further restrictions can be set by limiting access to specific groups of personnel (e.g. MC members/deputies, procurement personnel, work groups). Such restrictions can be set on individual documents or groups of documents
- Procurement information, leasing information and proposed press releases should always be subject to further restrictions
- Publishers of information decide whether other information shall be subject to further restriction, e.g. negotiations and rig intake

### 5.11 Long Term Plan

The operator shall submit a proposal for a long term plan that shall reflect the goals and strategies that have been decided, adapted to the relevant phase of the activities and challenges the license is facing (JOA 11.3)

- Once established the plan should be operationalized and followed up in MC meetings

The management committee shall each year decide whether an update of the long-term plan is needed (JOA 11.3)

- It is best practice to make this decision before year end and aim at completing the plan before 1 June next year

### 5.12 Geophysical data acquisition

When a Survey Company (geophysical contractor or oil company) is planning to acquire geophysical data over licensed acreage, a request for permission shall be submitted to the operator of the production license (or operator of a Business Arrangement Area (BAA) if applicable). NOROG guideline 011 ("Guideline for approval of 3<sup>rd</sup> party geophysical data acquisition on licensed acreage") recommends that such requests are handled by the operator on behalf of the license.

Best practice is that MC supports this recommendation.

### 5.13 Major Accident Risk Workshops (MARW)

NOROG recommends major accidents risk workshops to be arranged regularly for licenses in operation. NOROG guideline 141 ([Anbefalte retningslinjer for styring av storulykkerisiko i lisenser](#)) describes how the meetings can be planned, performed and followed up.

### 5.14 Partners' supervisory duty

The operator should provide sufficient data and information for partners to fulfill their supervisory duty in accordance with acts and regulations referenced in Guidelines for plan for development and operation of a petroleum deposit (PDO) and plan for installation and operation of facilities for transport and utilisation of petroleum (PIO), chapter 2.5, 5.5 and 6.3.

## 6. Communication with and involving the authorities

### 6.1 Authorities as observers in JV meeting and in The System

According to the regulations in [Regulations to Act relating to petroleum activities, section 82](#) the authorities have the right to attend license meetings as observers. The observer role is, however, not defined in the regulation. The following best practices apply:

- The authority observers shall be invited to all license meetings unless agreed otherwise by the parties for specific meetings where internal discussions among the parties are required
- In meetings the authorities observe and listen, ask questions for clarification and guide the parties as required and may give statements when deemed necessary
- Questions/answers/statements from an observer in a MC meeting may be minuted if deemed necessary
- Minutes from MC meetings are subject to approval by the partners, not the authorities. Statements from an observer in the minutes should be verified before the minutes are sent for approval in the license
- The authority observers have access to all information in The System for all licenses on the NCS except information in areas with additional restrictions, such as procurement information

### 6.2 Authorities as governmental bodies

Overview of documentation to be submitted to the NPD is given here:

<https://www.npd.no/regelverk/rapportering/regelverkspliktig-innsending/>

Similar PSA and NEA requirements can be found in [Styringsforskriften](#), chapter 8 and 9.

The compulsory reports and documentation to be submitted to the MPE, NPD, PSA and ASD according to the regulations above shall be forwarded to their official mail boxes; [postmottak@oed.dep.no](mailto:postmottak@oed.dep.no) / [postboks@npd.no](mailto:postboks@npd.no) / [postboks@ptil.no](mailto:postboks@ptil.no), [postmottak@asd.dep.no](mailto:postmottak@asd.dep.no), from the companies' official mailboxes, not individual JVs, preferably by use of the Authority Communication platform in The System. Copies of the reports and documentation submitted to the Authorities shall be shared with the relevant JVs in The System. The Authority Communication platform provides a two-way communication with NPD and PSA, and a one-way communication to MPE and ASD.

Forwarding from JVs to authority observers or authority observer groups is not regarded as formally received by the authorities.