

Regulations Regarding the Prospection, Exploration and Production of Hydrocarbons

*Issued pursuant to
Section 4, Paragraph four, Section 10, Paragraphs four, seven, ten and thirteen of the Law on
Subterranean Depths and Section 13 of the State Administration Structure Law.*

I. General Provisions

1. This Regulation prescribes:

- 1.1. the procedures for determining the licence area for the use of subterranean depths for the prospection or exploration and production of hydrocarbons (hereinafter – the licence);
- 1.2. the procedures for the licencing of hydrocarbon prospection, exploration and production works;
- 1.3. the organisation of the work and functions of the Hydrocarbon Exploration and Production Licensing Commission;
- 1.4. the procedures and rules for the change of licensee;
- 1.5. the amount of the State fee for hydrocarbon prospection, exploration and production licences and its payment procedures;
- 1.6. the procedures for the prospection, exploration and production of hydrocarbons in the territory of the Republic of Latvia onshore, in inland sea waters, in the territorial sea and in the exclusive economic zone of the Republic of Latvia (hereinafter – the offshore);
- 1.7. the organisation of the work and functions of the competent authority;
- 1.8. the procedures for the participation of the State in the exploration and production of hydrocarbons offshore or in immovable properties belonging to the State;
- 1.9. environmental protection requirements for the hydrocarbon extraction and production activities offshore and onshore;
- 1.10. the procedures for the elimination of the consequences of accidents in hydrocarbon exploration and production activities;
- 1.11. the requirements for the prevention of severe accidents related to the activities in the oil and gas sector offshore, and limiting the consequences of such accidents.

2. The following terms are used in this Regulation:

- 2.1. acceptance – a written notification of the competent authority to the operator or the owner in relation to the report on major hazards that the report, if implemented as set out therein, meets the requirements of this Regulation. Acceptance does not imply that any responsibility for the control of major hazards is transferred to the competent authority;
- 2.2. combined operation – an operation carried out from an installation with another installation or installations for purposes related to the other installation or installations which thereby materially affects the risks to the safety of persons or the protection of the environment on any or all of the installations;
- 2.3. non-production installation – an installation other than an installation used for production of oil and gas;

2.4. suitable – right or fully appropriate (including consideration of proportionate effort and cost) for a given requirement or situation, based on the objective evidence and demonstrated by an analysis, comparison with appropriate standards or other solutions used in comparable situations by other authorities or industry;

2.5. material changes mean:

2.5.1. in the case of a report on a major hazard – a change in the conditions based on which the original report was accepted including, inter alia, physical modifications, availability of new knowledge or technology and operational management changes;

2.5.2. in the case of a notification of well operations or combined operations – a change to the basis on which the original notification was submitted including, inter alia, physical modifications, replacement of one installation with another, availability of new knowledge or technology and operational management changes;

2.6. well operation – any operation concerning a well that could result in accidental spill of materials that has the potential to cause to a major accident (including the drilling of a well, the repair or modification of a well, the suspension of well operations and the mothballing or liquidation of a well);

2.7. commencement of operations – the point in time when the installation or connected infrastructure is used for the first time in the operations for which it is designed;

2.8. production installation – an installation used for production;

2.9. deposit – spatially bounded accumulation of hydrocarbons in the subterranean depths;

2.10. installation – a stationary, fixed or mobile facility, or a combination of facilities permanently inter-connected and used for hydrocarbon exploration and production operations or in connection with such operations. Installations include mobile drilling units only when they are stationed in a licenced area for drilling, production or other activities associated with hydrocarbon exploration and production operations;

2.11. internal emergency response plan – a plan prepared by the operator or licensee concerning the measures to prevent the escalation or limit the consequences of a major accident relating to exploration and production of hydrocarbons;

2.12. competent authority – within the meaning of this Regulation, the State Construction Control Bureau, which attracts the State Environmental Service (hereinafter – the Service) for the fulfilment of functions related to environmental safety and protection based on a mutual cooperation agreement;

2.13. critical safety and environmental elements – parts of an installation (including computer programmes), the purpose of which is to prevent or limit the consequences of a major accident, or the failure of which could cause or contribute substantially to a major accident;

2.14. licensee – the person who alone or together with other persons has acquired the licence according to the procedures laid down in this Regulation;

2.15. offshore licence area – an area specified by the Cabinet for the prospection, exploration and production of hydrocarbons in inland sea waters, the territorial sea or the exclusive economic zone of the Republic of Latvia, which is limited by the lines connecting points with specific geographical co-ordinates of latitude and longitude in the World Geodetic System 1984 (hereinafter – the WGS84 co-ordinates), as well as state borders and borders of economic zones and the coastlines thereof, in which the licensee has the right to perform hydrocarbon prospection or exploration and production activities;

2.16. onshore licence area – an onshore area in the territory of the Republic of Latvia specified by the Cabinet, which is limited by lines connecting points with specific co-ordinates in the Latvian Geodetic System LKS92TM (hereinafter – the LKS92TM co-ordinates), as well as state borders and the coastlines thereof, in which a licensee has the right to perform hydrocarbon prospection or hydrocarbon exploration and production activities;

2.17. contractor – any entity with whom the operator or owner is entered into an agreement for the performance of specific tasks on behalf of the operator or owner;

2.18. offshore oil and gas operations – all activities associated with an installation or connected infrastructure (including design, planning, construction, operation and decommissioning thereof), relating to exploration and production of hydrocarbons, but excluding conveyance of hydrocarbons from one coast to another;

2.19. independent verification – within the meaning of this Regulation, the assessment and acceptance of the validity of such particular written statements drawn up by the merchant or the organisational part of the operator or the licensee that is not being controlled or influenced by the merchant or the organisational part which uses those statements;

2.20. industry – entities that are directly involved in offshore oil and gas operations subject to this Regulation, or whose activities are closely related to those operations;

2.21. preparatory works for the production of hydrocarbons – construction of wells for the production of hydrocarbons, and construction of other structures used for the production of hydrocarbons, and installation of technological installations in the licence area;

2.22. operator – the merchant appointed by the licensee to perform oil and gas industry operations, including planning and executing well operations or managing and controlling the functions of a production installation;

2.23. acceptable risk – the level of risk for further reduction of which the time, cost or effort would be grossly disproportionate in comparison to the benefits of such reduction. In assessing whether the time, cost or effort would be grossly disproportionate in comparison to the benefits of further reducing the risk, the best practice risk levels compatible with the specific operations shall be considered;

2.24. oil spill response effectiveness – the effectiveness of spill response systems in responding to an oil spill. It is based on an analysis of the frequency, duration, and timing of environmental conditions that would preclude a response. The oil spill response effectiveness is expressed as a percentage of the time when such conditions are not established and includes a description of the operating limitations which will be placed on the installations concerned as a result of such assessment;

2.25. connected infrastructure – installations placed in the licence area or the following elements placed in the licence area:

2.25.1. any well and associated constructions, supplementary units and devices connected to the placed installation;

2.25.2. any apparatus or structure placed on or connected to the main construction of the installation;

2.25.3. any connected pipelines or a structure;

2.26. major hazard – a situation with the potential to result in a major accident;

2.27. major accident – in relation to an offshore installation or connected infrastructure means:

2.27.1. an incident involving an explosion, fire, loss of well control, or spill of oil, gas or dangerous substances involving, or with a significant potential to cause, fatalities or serious personal injury;

2.27.2. an incident leading to serious damage to the installation or connected infrastructure involving or having a significant potential to cause fatalities or serious personal injury;

2.27.3. any other incident leading to fatalities or serious injury of five or more persons who are on the offshore installation where the source of danger occurs or who are engaged in an offshore oil and gas industry operation in connection with the installation or connected infrastructure;

2.27.4. any other major environmental incident resulting from the events referred to in Sub-Paragraphs 2.27.1, 2.27.2 and 2.27.3 of this Regulation. For the purposes of determining whether an incident constitutes a major accident under Sub-

Paragraphs 2.27.1, 2.27.2 and 2.27.3 of this Regulation, an installation that is normally unattended shall be treated as if it were attended;

2.28. tripartite consultation – a formal arrangement to enable dialogue and cooperation between the competent authority, operators, owners, and workers' representatives;

2.29. entity – any natural or legal person or any group of such persons.

3. The Ministry of Economics and other institutions that receive the documents submitted by a private person under the procedures provided for in this Regulation shall examine them in accordance with the procedures provided for in the Law on Submissions, unless other procedures for the examination of submissions are provided for in this Regulation.

4. The environmental impact assessment of the operations referred to in this Regulation shall be carried out in accordance with the law On Environmental Impact Assessment.

5. The environmental impact assessment of the hydrocarbon exploration and production connected with the drilling of a well shall be carried out after the receipt of the licence for exploration and production of hydrocarbons.

6. Construction, reconstruction, renewal, restoration, demolition, placement, change of the type of use without reconstruction and preservation of structures used in the exploration and production (including experimental production) of hydrocarbons and structures not directly related to exploration and production, as well as installation and dismantling of installations shall be carried out according to the Construction Law, general and special construction regulations.

7. Any analyses necessary for the fulfilment of the requirements referred to in this Regulation shall be conducted in laboratories, which are accredited in the Latvian National Accreditation Bureau according to the standard LVS EN ISO/IEC 17025:2005, General requirements for the competence of testing and calibration laboratories, or in laboratories accredited in other countries, using the standard methodology of international organisations.

8. The State may participate in the production of hydrocarbons in immovable properties belonging to the State or offshore by paying a specified share (hereinafter – the State participation share) of the hydrocarbon production expenditures and receiving income share proportional thereto.

II. Determination of the Licence Area for Prospection or Exploration and Production of Hydrocarbons

9. The determination of a licence area offshore or on immovable properties belonging to the State may be proposed by the Ministry of Economics or a merchant who wants to perform hydrocarbon prospection or hydrocarbon exploration and production.

10. The determination of a licence area on immovable properties that do not belong to the State may be proposed by the owner (owners) of the relevant immovable property or his (their) authorised person.

11. Owners of the immovable property or their authorised person may propose to include several immovable properties into one licence area if such immovable properties have a common border. In such case the owners of the immovable property or their authorised person shall submit a joint submission to the Ministry of Economics by including the proposal to determine a licence area.

12. The licence area provided for the exploration and production of hydrocarbons onshore shall not be smaller than 15 hectares.

13. The proposer of the hydrocarbon prospection or hydrocarbon exploration and production shall submit a submission to the Ministry of Economics by including the proposal to determine a licence area (Annex 1). The submission shall be accompanied by a scheme and plan of the planned licence area in electronic form, in which the co-ordinates of the planned area on a map and the schematic location of the area in relation to the offshore or onshore territory shall be specified.

14. When examining the submission for the proposal to determine or expand a licence area offshore, the Ministry of Economics shall take into consideration the spatial planning of the sea (if any), and also shall inform the closest coastal municipalities, if the proposed licence area is located offshore in a two kilometres wide zone from the coastline.

15. If the proposer or the merchant has not submitted all the documents and information listed in Annex 1 or 2 to this Regulation, the Ministry of Economics shall set a deadline for the elimination of shortcomings. If the requested documents and information are not submitted within the specified time period, the Ministry of Economics shall take the decision to reject the submission referred in Paragraph 13, 21, 22 or 24 of this Regulation and shall inform the proposer thereof.

16. If the submission referred to in Paragraph 13, 21, 22 or 24 of this Regulation, the information and documents appended thereto meet the requirements of this Regulation and applicable laws and regulations, the Ministry of Economics shall, within a month from the day when the submission was received, shall prepare a draft Cabinet Order regarding the determination of a licence area or making amendments to the licence area according to the specified procedures.

17. When determining a licence area offshore or on immovable properties belonging to the State, the State participation share in the amount of 10 per cent in each licence area or from 0 to 50 per cent, if there is a specific justification for it, shall be provided for in the draft Cabinet Order.

18. After issuance of the Cabinet Order regarding the determination of a licence area for the prospection of hydrocarbons offshore or on immovable properties belonging to the State, the Ministry of Economics shall publish an invitation for applicants to participate in a tender on the application for the receipt of a licence for hydrocarbon prospection in the official gazette *Latvijas Vēstnesis* and in the Official Journal of the European Union.

19. Within one month after the issuance of the Cabinet Order regarding the determination of a licence area for prospection of hydrocarbons or exploration and production of hydrocarbons on an immovable property that does not belong to the State or rejection of such an order, the Ministry of Economics shall inform the proposer thereof.

20. When performing the exploration of hydrocarbons, the licensee has right to propose an increase of the licence area for exploration and production of hydrocarbons:

20.1. if during the exploration the licensee established that it is necessary for the exploration of a potential deposit of hydrocarbons;

20.2. in the cases referred to in Paragraphs 172 and 219 of this Regulation.

21. In order to propose an increase of a license area for exploration and production of hydrocarbons offshore or on immovable properties belonging to the State by including adjacent offshore territories or immovable properties belonging to the State, the licensee shall submit a submission to the Ministry of Economics for making amendments to the licence area (Annex 2). In the cases referred to in Paragraphs 172 and 219 of this Regulation, the submission shall be accompanied by information and exploration data (maps characterising the geological structure of the part of the deposit in the licence area (isochronic and/or structural map), data analysis), which evidence that the deposit of hydrocarbons exceeds the boundaries of the licence area.

22. In order to propose an increase of the hydrocarbon exploration and production area to the immovable properties that do not belong to the State, by including adjacent immovable properties, which do not belong to the State, the licensee shall submit a submission to the Ministry of Economics for making amendments to the licence area (Annex 2). The submission shall be accompanied by a written consent of owners of the plots of land to be included in the licence area (original).

23. The Ministry of Economics has the right to refuse to expand the licence area, if:

23.1. the licence area to be expanded overlaps with the licence area, where exploration and production of hydrocarbons is performed and which received the licence before the proposal to expand the licence area;

23.2. the licence area to be expanded envisages to include territories, where economic activity is prohibited by laws and regulations;

23.3. the licence area to be expanded overlaps with the licence area or the permit area for other commercial activity offshore or in immovable properties belonging to the State.

24. If the licensee wishes to reduce the licence area for exploration and production of hydrocarbons, it shall submit a submission to the Ministry of Economics for making amendments to the licence area (Annex 2).

25. The proposer or the licensee may resubmit the submission referred to in Paragraph 13, 21, 22 or 24 of this Regulation.

III. General Licensing Procedures

26. A merchant may perform prospection of hydrocarbons, as well as exploration and production of hydrocarbons only after such merchant has received the licence in accordance with the procedures set out in this Regulation.

27. The Ministry of Economics shall issue and register the following licences:

27.1. the licence for the prospection of hydrocarbons:

27.1.1. offshore or in immovable properties belonging to the State – under a tendering procedure;

27.1.2. in immovable properties that do not belong to the State – without a tender;

27.2. the licence for the exploration and production of hydrocarbons:

27.2.1. offshore or in immovable properties that belong to the State – under a tendering procedure, on the basis of a decision of the Hydrocarbon Exploration and Production Licensing Commission (hereinafter – the Licencing Commission), except for the case referred to in Paragraph 20 of this Regulation;

27.2.2. in immovable properties that do not belong to the State – without a tender to a merchant selected by the owner of the immovable property, if it complies with the requirements specified in Paragraph 90 of this Regulation.

28. If the licensee has the licence issued for the prospection of hydrocarbons, such licence shall not provide a privilege for the receipt of the licence for exploration and production of hydrocarbons.

29. The licence for the prospection of hydrocarbons shall be issued for a time period of up to five years.

30. The licence for the exploration and production of hydrocarbons shall be issued for a period of up to 30 years, including for the exploration phase – up to 10 years.

31. If the licence for the prospection of hydrocarbons has been issued for a time period shorter than that specified in Paragraph 29 of this Regulation, the licensee is entitled to request an extension of the licence for a time period, which, together with the abovementioned time period, does not exceed the time period specified in Paragraph 29 of this Regulation.

32. If the licence for the exploration and production of hydrocarbons has been issued for a time period shorter than that specified in Paragraph 30 of this Regulation, the licensee is entitled to request an extension of the licence for a time period, which, together with the abovementioned time period, does not exceed the time period specified in Paragraph 30 of this Regulation.

33. The application for the extension of the term of the licence for the prospection or exploration and production of hydrocarbons shall be submitted no later than three months before the end date of the licence. If the application for the extension of the licence is submitted later, the Ministry of Economics shall refuse the extension of the term of the licence.

34. The licence for the prospection or exploration and production of hydrocarbons shall be suspended or cancelled in accordance with Section 16 of the law On Subterranean Depths. Within 10 days after the suspension or cancellation of the licence, the Ministry of Economics shall inform the Service and the State limited liability company Latvian Environment, Geology and Meteorology Centre (hereinafter – the Centre), as well as the competent authority and, if the licence area is located offshore, the Maritime Administration thereof.

IV. Procedures for the Licensing of Hydrocarbon Prospection

35. The licence for the prospection of hydrocarbons shall not be exclusive – several licences may be issued for one licence area of prospection of hydrocarbons with the exception of onshore land, which is not an immovable property belonging to the State.

36. After the issuance of the Cabinet Order regarding the determination of a licence area for the prospection of hydrocarbons onshore, which is not an immovable property belonging to the State, the owner of the immovable property or his or her authorised person shall choose a merchant (hereinafter – the applicant) who will apply for the receipt of the licence for the prospection of hydrocarbons.

37. In order to receive the licence for the prospection of hydrocarbons in the licence area specified by the Cabinet, the applicant shall submit an application to the Ministry of

Economics for the receipt of the licence for the prospection of hydrocarbons (Annex 3). The documents referred to in Annex 3 to this Regulation shall be attached to the application.

38. Upon receipt of the application referred to in Paragraph 37 of this Regulation the Ministry of Economics shall assess its compliance with the requirements of this Regulation. If the information and documents submitted comply with the referred to requirements, the Ministry of Economics shall issue the licence for the prospection of hydrocarbons within one month after the day when the application was received.

39. If the applicant has not submitted all the documents and information referred to Annex 3 to this Regulation, the Ministry of Economics shall set a time limit for the elimination of shortcomings. If the requested documents and information are not submitted until the specified time limit, the Ministry of Economics shall take the decision to reject the submission and shall inform the applicant thereof.

40. The applicant may resubmit the application referred to in Paragraph 37 of this Regulation.

41. The following shall be indicated in the licence for the prospection of hydrocarbons:

- 41.1. a justification for the issuance of the licence;
- 41.2. the information on the licensee (name of the merchant, registration number, place of registration and registered address thereof);
- 41.3. the period of operation of the licence;
- 41.4. the plane LKS92TM co-coordinates or the WGS84 co-ordinates of the licence area;
- 41.5. the programme of hydrocarbon prospection activities broken down by years;
- 41.6. the procedures for the submission of data, samples, reports and information that are obtained during the hydrocarbon prospection activities (Annex 4).

42. Within 10 days after the issuance of the licence for the prospection of hydrocarbons, the Ministry of Economics shall send its copy to the Service and the Centre. If the licence has been issued for the prospection of hydrocarbons offshore, within 10 days after the issuance of the licence, the Ministry of Economics shall send its copy also to State joint stock company Maritime Administration of Latvia (hereinafter – the Maritime Administration) and the Coast Guard Service of the Latvian Naval Forces of the National Armed Forces (hereinafter – the Coast Guard Service).

V. General Licensing Procedures for Hydrocarbon Exploration and Production

43. The licence for the exploration and production of hydrocarbons grants to the licensee exclusive rights for the exploration and production of hydrocarbons in the licence area.

44. The following information shall be indicated in the licence for the exploration and production of hydrocarbons:

- 44.1. a justification for the issuance of the licence;
- 44.2. the information on the licensee (name of the merchant, registration number, place of registration and registered address thereof);
- 44.3. the period of operation of the licence;
- 44.4. the plane LKS92TM co-coordinates or WGS84 co-ordinates of the licence area;
- 44.5. the division of hydrocarbon exploration activities broken down by years;
- 44.6. the minimum programme of hydrocarbon exploration activities and its costs broken down by years and types of activities;

44.7. the procedures for the submission of data, samples, reports and information that are obtained during the hydrocarbon exploration and production activities (Annex 4);

44.8. the information on the wells existing in the licence area, which have been drilled before the issue of the licence (i.e., on the wells, which have been drilled before the determination of the licence area and/or during the period of operation of the previously issued licence for the exploration and production of hydrocarbons for the licence area).

45. If several merchants want to jointly perform hydrocarbon exploration and production operations, they shall enter into a mutual cooperation agreement, where they name the operator for the hydrocarbon exploration and production operations and, when applying for the licence, they shall submit a joint application to the Ministry of Economics, where they shall also indicate the selected operator.

46. If the licence for the exploration and production of hydrocarbons is issued to several merchants, all the merchants and the shares of the licence they hold shall be indicated therein.

47. If the State participation share is determined in the licence area, in addition to the requirements referred to in Paragraph 44, 45 and 46 of this Regulation the State participation share shall also be indicated in percentage in the licence referred to in Paragraph 44 of this Regulation and the tender regulations referred to in Paragraph 71 of this Regulation.

48. Within 10 days after the issuance of the licence, the Ministry of Economics shall send its copy to the Service and the Centre, and also the competent authority, the Maritime Administration and the Coast Guard Service, if the licence area is located offshore.

VI. Hydrocarbon Exploration and Production Licensing Commission

49. The composition of the Licencing Commission shall be approved by the Cabinet of Ministers. The Licensing Commission shall consist of three representatives from the Ministry of Economics and one representative from the Ministry of Finance, the Ministry of Transport, the Ministry of Environmental Protection and Regional Development, the State Construction Control Bureau, the Service, and the representatives from other institutions, as well as sectoral experts with advisory rights shall be invited when needed. If the licence area is determined offshore, the Licensing Commission shall also include one representative from each the Maritime Administration and the Coast Guard Service.

50. The Chairperson and the Deputy Chairperson of the Licencing Commission shall be the representatives of the Ministry of Economics.

51. The Licensing Commission has the following functions:

51.1. to examine the applications of applicants for the licence for the exploration and production of hydrocarbons offshore or in immovable properties belonging to the State and take a decision on the issue of the licence or a refusal to issue a licence;

51.2. to examine the applications of licensees and applicants for the transfer of the licence for the exploration and production of hydrocarbons or any part thereof to a third person (with the exception of the cases referred to in Paragraph 124 of this Regulation) and take a decision on the transfer or the refusal to transfer the licence or any part thereof to a third person, if the license are is determined offshore or in immovable properties belonging to the State;

51.3. to examine the applications of licensees and take a decision on the issue of the licence for the exploration and production of hydrocarbons offshore or in immovable

properties belonging to the State by changing the types of activities included in the minimum programme of hydrocarbon exploration activities.

52. Meetings of the Licencing Commission shall be chaired by the Chairperson of the Commission, but in his/her absence the Deputy Chairperson of the Commission.

53. The Chairperson of the Licencing Commission shall:

- 53.1. organise and manage the work of the Commission;
- 53.2. set the time and the agenda for the Commission meetings;
- 53.3. convene and chair meetings of the Commission;
- 53.4. set the obligations of Commission members.

54. The work of the Licensing Commission shall take place at meetings. Meetings shall be closed, exception for those in which the applications submitted for a tender are opened.

55. Meetings shall be convened as necessary by notifying the members of the Licensing Commission thereof not later than five days prior to the meeting concerned.

56. A meeting shall be convened by the Chairperson of the Licencing Commission upon his or her initiative or at the request of at least two members of the Licencing Commission.

57. The meeting agenda shall be sent to the members of the Licensing Commission not later than three days prior to the Commission meeting.

58. The Licensing Commission shall have a quorum if more than a half of the members of the Licensing Commission are present at the meeting. Minutes shall be taken at the meeting of the Licensing Commission.

59. The Ministry of Economics shall send a draft minutes of the meeting to all members of the Licensing Commission for approval electronically within five days after the Licensing Commission meeting. Members of the Licensing Commission shall approve the draft minutes of the meeting or make necessary updates thereto electronically within three days starting from the next day after the receipt of the draft meeting minutes. If no objections have been received within three days after the day of sending of the draft minutes of the meeting, the draft minutes shall be deemed as coordinated.

60. Minutes of the Licensing Commission meetings shall include the following information:

- 60.1. name of the commission;
- 60.2. place, date and time of holding the meeting;
- 60.3. name and surname of the chairman and members of the meeting;
- 60.4. name, surname, represented institution and position of invited persons;
- 60.5. name and surname of those members of the Commission, who are not present at the meeting;
- 60.6. items of the meeting agenda;
- 60.7. decisions of the Commission;
- 60.8. opinions of members of the Commission and invited persons that differ from the decision taken by the Commission (if any of the members of the meeting request it);
- 60.9. signature and print name of commission members.

61. Members of the Licensing Commission have the right to reread signed minutes of the meeting at any time.

62. The content of the minutes of meetings of the Licensing Commission shall not be disclosed to third persons.

63. The decisions referred to in Paragraph 51 of this Regulation shall be adopted by the Commission by an open show of hands. In case of equal division of votes, the Chairperson shall have the casting vote.

64. Members of the Licensing Commission do not have the right not refrain from voting.

65. The administrative acts issued by and actual actions taken by the Ministry of Economics and the Licensing Commission may be disputed according to the procedures provided for in the Administrative Procedure Law.

66. The work of the Licensing Commission shall be logistically and technically provided for by the Ministry of Economics.

VII. Procedures for the Licensing of the Exploration and Production of Hydrocarbons Offshore or in Immovable Properties Belonging to the State

67. Within six months after the issuance of the Cabinet Order regarding the determination of a licence area for the exploration and production of hydrocarbons offshore or in immovable properties belonging to the State, the Ministry of Economics shall announce a licensing tender (hereinafter – the tender).

68. An invitation to tender shall be published in the official gazette *Latvijas Vēstnesis* and the Official Journal of the European Union.

69. The invitation referred to in Paragraph 68 of this Regulation shall contain the following information:

69.1. the announcer of the tender (the Ministry of Economics);

69.2. the licence type;

69.3. the place and time for the publication of tender regulations;

69.4. the deadline for the submission of the application;

69.5. other information that may be necessary to the participants in order to prepare the application for the tender in good quality.

70. The time period for the submission of applications shall not be less than 90 days from the day when the invitation referred to in Paragraph 68 of this Regulation was published in the official gazette *Latvijas Vēstnesis* and the Official Journal of the European Union.

71. The Ministry of Economics shall develop and approve the tender regulations. The tender regulations shall be accompanied by a draft collaboration agreement, which the Ministry of Economics shall prepare according to the requirements referred to in Paragraph 246 of this Regulation and which is used only as the initial basis for the negotiations between the successful tenderer and the State capital company for the conclusion of a collaboration agreement within the time period referred to in Paragraph 174 or 221 of this Regulation.

72. The tender regulations shall determine:

72.1. the information on the subject of the tender;

72.2. the procedures for the drawing up, submission and registration of the application;

72.3. the content of the application and qualification requirements for the participants of the tender in accordance with Paragraph 73 of this Regulation;

- 72.4. the procedures for the explanation of tender regulations;
- 72.5. the procedures for amending, supplementing and repealing the application;
- 72.6. the procedures and place for opening the applications;
- 72.7. the procedures and criteria for the evaluation of applications in accordance with Paragraph 75 of this Regulation;
- 72.8. the procedures for awarding points for each criterion;
- 72.9. a sample of the drawing up of the application;
- 72.10. the minimum score that must be acquired so that the Licensing Commission may take a decision on the granting of the licence;
- 72.11. other information necessary for the tendering process.

73. Participants shall be qualified for the tender. The following documents and information shall confirm the qualification of a participant:

73.1. application form of the participant according to the sample provided in the tender regulations;

73.2. information on the experience of the participant describing the its ability to perform hydrocarbon exploration and production activities in the licence area;

73.3. the minimum programme of hydrocarbon exploration activities which includes the amounts, time periods and costs of the exploration activities;

73.4. a document certifying that the participant complies with Regulation (EC) No 761/2001 of the European Parliament and of the Council of 19 March 2001 allowing voluntary participation by an organisation in a Community eco-management and audit scheme (EMAS) or the standard LVS EN ISO 14001:2005/AC:2009, Environmental Management System – Requirements with Guidance for Use (ISO 14001:2004/Cor 1:2009);

73.5. a statement issued by a competent merchant registration authority (if the merchant is registered abroad) and which contains the following information about the applicant:

73.5.1. the country of registration and the date when the applicant has been registered in the country, which currently is a Member State of the European Union, the World Trade Organization or the European Free Trade Association;

73.5.2. officials of the applicant have the right to act on behalf of the applicant;

73.6. the documents, which certify that the participant is able to financially ensure the performance of the minimum programme of hydrocarbon exploration activities, as well as ensure the compensation of inflicted damages, which might arise from specific offshore oil and gas operations, in particular in the territories, which are essential, including responsibility for potential economic damages;

73.7. information about the current activities of the participant related to security and environmental results, including in connection with major accidents.

74. If several merchants submit a joint application to the Ministry of Economics in applying for the receipt of the licence and by attaching a minimum programme of hydrocarbon exploration activities, then:

74.1. the information referred to in Sub-Paragraphs 73.2 and 73.7 of this Regulation, as well as the documents referred to in Sub-Paragraph 73.5 of this Regulation shall be submitted for each merchant;

74.2. the document referred to in Sub-Paragraph 73.4 of this Regulation shall be submitted for at least one merchant;

74.3. the documents referred to in Sub-Paragraph 73.6 of this Regulation shall be submitted in proportion to the merchant's expected participation share in the licence.

75. The following criteria shall be included in the tender regulations:

75.1. the manner in which the participant offers to perform the exploration of hydrocarbons and to initiate the production thereof (the minimum programme of hydrocarbon exploration activities);

75.2. participant's work experience in the exploration and production of hydrocarbons.

76. The criteria referred to in Paragraph 75 of this Regulation shall initially be published in the Official Journal of the European Union. If the specified criteria are published in the official gazette *Latvijas Vēstnesis*, then only a reference to the publication in the official gazette *Latvijas Vēstnesis* shall be published in the Official Journal of the European Union. Any further changes in the criteria shall be published in the Official Journal of the European Union and in the official gazette *Latvijas Vēstnesis*.

77. The Licensing Commission shall examine the applications of the participants and evaluate only those applications that comply with the qualification requirements provided for in Paragraph 73 of this Regulation and tender regulations by awarding them points in accordance with the criteria specified in Paragraph 75 of this Regulation and the regulations of the licensing tender.

78. The participant, whose application received the highest score, but not less than the minimum score for receiving a licence provided for in the tender regulations, shall be recognised by the Licensing Commission as the successful tenderer.

79. If the application does not comply with this Regulation or tender regulations, the Licensing Commission shall not evaluate such application, but shall draw up the relevant protocol and the Ministry of Economics shall inform the applicant thereof in writing within 10 days after the respective commission meeting.

80. If applications of several participants have received an identical score, the participant whose application receives the highest score for the experience of the participant in hydrocarbon exploration and production activities shall be recognised as the successful one.

81. If only one application has been received for the tender and it complies with the requirements specified in this Regulation and the tender regulations, the Licensing Commission shall be entitled to decide that the relevant applicant is the successful tenderer.

82. The Licensing Commission shall decide on the issuance of the licence for the exploration and production of hydrocarbons to the successful tenderer. The Ministry of Economics shall inform the successful tenderer about its success in the tender based on the decision of the Licensing Commission, and shall send the license for the exploration and production of hydrocarbons to the applicant within five days after the decision of the Licensing Commission was taken.

83. Within five days after the decision of the Licensing Commission was taken, the results of the tender shall be published in the official gazette *Latvijas Vēstnesis*, sent for publishing in the Official Journal of the European Union and notified in writing to all the participants of the tender.

84. Tender for the exploration and production of hydrocarbons shall be recognised as not having taken place if:

84.1. no application has been received;

84.2. all the submitted applications have been rejected by a decision of the Licensing Commission;

84.3. one application has been received, but the successful tenderer has declined the licence.

85. If the successful tenderer declines the license within 30 days from its entry into effect, the participant of the tender, who received the next best evaluation according to the procedure set out in this Regulation, may receive the licence.

86. If the successful tenderer, who received the best evaluation in the hydrocarbon exploration and production licensing tender, declines or does not receive the license within 30 days, the Ministry of Economics shall exclude this tenderer from the list of participants of the tender and within 15 days shall send an invitation to certify the wish to receive the licence to the tenderer, who has received the next best evaluation according to the procedure set out in this Regulation, which is not less than the minimum score for the receipt of the licence provided for in the tender regulations.

87. If the tender, in accordance with Paragraph 84 of this Regulation, has been recognised as not having taken place, the Ministry of Economics shall, within nine months, announce a new tender notifying of it in the official gazette Latvijas Vēstnesis and the Official Journal of the European Union.

88. No tender is required, if a licence area is expanded in the case referred to in Paragraph 20 of this Regulation or if the licence is transferred in the cases referred to in Paragraph 115 or 124 of this Regulation.

VIII. Procedures for the Licensing of the Exploration and Production of Hydrocarbons in Immovable Properties Not Belonging to the State

89. After the issuance of the Cabinet Order regarding the determination of the licence area for the exploration and production of hydrocarbons, the owner (owners) of the immovable property or his or her (their) authorised person shall choose an applicant who will apply for the receipt of the licence for the exploration and production of hydrocarbons.

90. In order to receive the licence for the exploration and production of hydrocarbons in the licence area specified by the Cabinet, the applicant shall submit an application to the Ministry of Economics (Annex 5). The documents referred to in Annex 5 to this Regulation shall be attached to the application.

91. The Ministry of Economics shall assess the compliance of the applicant's application referred to in Paragraph 90 of this Regulation and the information attached thereto with the requirements listed in Annex 5 to this Regulation.

92. If the applicant has not submitted all the documents and information referred to in Annex 5 to this Regulation, the Ministry of Economics shall set a deadline for addressing the shortcomings. If the requested documents and information are not submitted within the set time period, the Ministry of Economics shall take the decision to reject the application and shall inform the applicant thereof. The applicant may resubmit the application referred to in Paragraph 90 of this Regulation.

93. If the application referred to in Paragraph 90 of this Regulation meets the requirements referred to in Annex 5 to this Regulation, the Ministry of Economics shall take the decision to issue the licence and shall issue the licence for the exploration and production of hydrocarbons.

IX. Amending the Minimum Programme of Hydrocarbon Exploration Activities

94. A licensee has the right to request one or more amendments to the minimum programme of hydrocarbon exploration activities specified in the licence:

- 94.1. to change the time limits for the performance of the activities included therein;
- 94.2. to replace the activities referred to in the programme with other activities;
- 94.3. to change the scope of performance of the activities.

95. If a licensee wishes to change the activities included in the minimum programme of hydrocarbon exploration activities, time periods for their performance or scope thereof, he or she shall, in due time, but not later than 30 days (if he or she has received the licence for the exploration and production of hydrocarbons in immovable properties not belonging to the State) or 60 days (if he or she received the license for the exploration and production of hydrocarbons in the immovable properties belonging to the State or offshore) submit an application to the Ministry of Economics before the commencement of the time period determined in the schedule of activities. The following must be indicated in the application:

- 95.1. time periods of exploration that are envisaged to be changed;
- 95.2. which of the activities included in the minimum programme of hydrocarbon exploration activities the licensee wants to replace with other exploration activities;
- 95.3. the scope of which for the performance of the activities included in the minimum programme of hydrocarbon exploration activities is intended to be changed;
- 95.4. the start and end times of the intended exploration activities;
- 95.5. the reasons due to which the licensee wants to make amendments to the minimum programme of hydrocarbon exploration activities determined in the licence;
- 95.6. Estimated costs of the activities included in the minimum programme of hydrocarbon exploration activities.

96. The time periods for the performance of the activities included in the minimum programme of hydrocarbon exploration activities should not exceed the time period for the exploration of hydrocarbons provided for in laws and regulations.

97. If the licence for the exploration and production of hydrocarbons has been issued to several licensees, all the licensees shall sign the application referred to in Paragraph 95 of this Regulation.

98. The application referred to in Paragraph 95 of this Regulation shall be assessed by:

98.1. the Licensing Commission – if the licensee who has received the licence for the exploration and production of hydrocarbons in immovable properties belonging to the State or offshore wants to change the scope for the performance of activities included in the minimum programme of hydrocarbon exploration activities or replace the activities included therein with other exploration activities;

98.2. the Ministry of Economics – in all other cases which are not referred to in Sub-Paragraph 98.1 of this Regulation (including the applications submitted by a licensee to whom the licence for the exploration and production of hydrocarbons in immovable properties not belonging to the State has been issued).

99. Having received the application referred to in Paragraph 95 of this Regulation, according to the regulations based on which the applications submitted for the tender for the receipt of the licence for the exploration and production of hydrocarbons were evaluated, the Licensing Commission shall evaluate whether the planned activities of the minimum programme of

hydrocarbon exploration activities can be assessed according to the score, with which the licensee obtained the licence for the exploration and production of hydrocarbons.

100. For the Licensing Commission to be able to take a decision on the issue of the licence by replacing the activities included in the minimum programme of hydrocarbon exploration activities with other activities, according to Paragraph 99 of this Regulation, the licensee should receive the same score, which was the basis for taking the decision regarding the issue of the licence or higher.

101. If the assessment score of the activities of the minimum programme of hydrocarbon exploration activities referred to in Paragraph 95 of this Regulation is smaller than the score, with which the licensee received a licence for the exploration and production of hydrocarbons, the Licensing Commission shall decide on the refusal to amend the minimum programme of hydrocarbon exploration activities (with the exception of the cases, if the evaluation of the costs of the activities specified in the licensee's application summed up with the evaluation of the activities of the minimum programme of hydrocarbon exploration activities is equal to the score, which was awarded to the licensee, when deciding on the issue of a licence for exploration and production of hydrocarbons or higher).

102. If the licensee who wants to replace the activities included in the minimum programme of hydrocarbon exploration activities with other activities or change the scope for the performance of activities has been the only participant in the hydrocarbon exploration and production licensing tender, in which it received the licence for the exploration and production of hydrocarbons in the respective licence area, according to Paragraph 99 of this Regulation he or she must receive at least the minimum score provided for in the tender regulations so that the Licensing Commission could take the decision to grant the licence for the exploration and production on hydrocarbons. In this case, the licensee shall submit the documents referred to in Paragraph 73 of this Regulation by also including information on hydrocarbon exploration activities already performed in the licence area and costs thereof.

103. If the Licensing Commission decides to refuse to amend the minimum programme of hydrocarbon exploration activities, and the Ministry of Economics decides to reject the amendments to the minimum programme of hydrocarbon exploration activities for the licensee, the licensee may resubmit the application referred to in Paragraph 95 of this Regulation.

104. If the licensee for the exploration and production of hydrocarbons in immovable properties not belonging to the State has been issued to a licensee, the Ministry of Economics shall, after receipt of the application referred to in Paragraph 95 of this Regulation, evaluate its compliance with the requirements of the laws and regulations and shall decide on the amendments to the minimum programme of hydrocarbon exploration activities.

105. If the application referred to in Paragraph 95 of this Regulation meets the requirements of this Regulation, the Ministry of Economics shall ascertain that the licensee has paid the fee referred to in Paragraph 133 of this Regulation and issue the licence for the exploration and production of hydrocarbons by changing the type, scope or time period for the performance of the activities included in the minimum programme of hydrocarbon exploration activities.

X. Transfer of a Licence or any Part thereof to a Third Person

106. The licensee has the right to transfer the licence for the prospection of hydrocarbons or exploration and production of hydrocarbons or any part thereof to a third person.

107. To transfer the licence for the prospection of hydrocarbons:

107.1. the licensee shall submit to the Ministry of Economics a justified submission, in which he or she indicated the applicant, in favour of whom the licence or a part thereof is alienated, as well as the information on payment of the State fee referred to in Paragraph 133 of this Regulation (the name of the payer of the State fee, the number of the State basic budget income account, the payment date, the payment amount and the payment order identification number assigned by the payment institution). The submission shall be accompanied by a written certification of the owner of the immovable property on the applicant's choice for receiving the licence for the prospection of hydrocarbons;

107.2. the applicant shall submit a submission to the Ministry of Economics on receiving the licence in accordance with Paragraph 37 of this Regulation.

108. Upon receipt of the submission referred to in Sub-Paragraph 107.1 of this Regulation the Ministry of Economics shall assess its compliance with the requirements of this Regulation, as well as the compliance of the application referred to in Sub-Paragraph 107.2 with the requirements set in Annex 3 to this Regulation. If the submitted information and documents comply with the aforementioned requirements, the Ministry of Economics shall issue the licence for the prospection of hydrocarbons without changing the initial time period of the operation of the licence. The Ministry of Economics shall send a copy of the licence to the competent authority, the Service and the Centre within 15 days after issuing of the licence.

109. If the applicant has not submitted all the documents and information referred to in Annex 3 to this Regulation, the Ministry of Economics shall set a deadline for the elimination of the shortcomings. If the requested documents and information are not submitted within the determined time period, the Ministry of Economics shall take the decision to reject the application and shall inform the applicant thereof.

110. In order to transfer the licence for the exploration and production of hydrocarbons or any part thereof in an immovable property not belonging to the State:

110.1. the licensee shall submit to the Ministry of Economics a justified submission, where he or she indicated the applicant, in favour of whom the licence or a part thereof is alienated, as well as the information on payment of the State fee referred to in Paragraph 133 of this Regulation (the name of the payer of the State fee, the number of the State basic budget income account, the payment date, the payment amount and the payment order identification number assigned by the payment institution). The submission shall be accompanied by a written certification of the owner of the immovable property on the applicant's choice for the receipt of the licence for the exploration and production of hydrocarbons;

110.2. the applicant shall submit a submission to the Ministry of Economics on receiving the licence in accordance with Paragraph 90 of this Regulation, without including the information referred to in Sub-Paragraph 3.2 of Annex 5 to this Regulation. The applicant shall certify in the submission that he or she undertakes to perform the minimum programme of hydrocarbon exploration activities offered by the licensee in the initial licence within the time period and in the scope determined in the licence, according to his or her participation share in the licence.

111. If the licence for the exploration and production of hydrocarbons has been issued to several licensees, all the licensees shall sign the submission referred to in Sub-Paragraph 110.1 of this Regulation.

112. After receipt of the submission referred to in Paragraph 110 of this Regulation, the Ministry of Economics shall assess whether the submission and information submitted by the

applicant complies with the requirements referred to in Annex 5 (with the exception of Sub-Paragraph 3.2) to this Regulation.

113. If the submissions referred to in Paragraph 110 of this Regulation do not meet the requirements of this Regulation or the applicant has not submitted all the documents and information referred to in Annex 5 (with the exception of Sub-Paragraph 3.2) to this Regulation, the Ministry of Economics shall set a deadline for the elimination of the shortcomings. If the requested documents and information are not submitted within the determined time period, the Ministry of Economics shall take the decision to reject the submissions and shall inform the licensee and the applicant thereof.

114. If the submissions referred to in Paragraph 110 of this Regulation meet the requirements of this Regulation, the Ministry of Economics shall decide on the issue of a licence and shall issue the licence for the exploration and production of hydrocarbons in immovable properties not belonging to the State, without changing the time period of the operation of the licence determined in the initial licence and the minimum programme of hydrocarbon exploration activities. The Ministry of Economics shall send its copy to the Service and the Centre within 10 days after the issuance of the licence.

115. In order to transfer the licence for the exploration and production of hydrocarbons offshore or in immovable properties belonging to the State or any part thereof:

115.1. the licensee shall submit to the Ministry of Economics a justified submission, where he or she specifies the applicant, in favour of whom the licence or a part thereof is alienated, as well as the information on payment of the State fee referred to in Paragraph 133 of this Regulation (the name of the payer of the State fee, the number of the State basic budget income account, the payment date, the payment amount and the payment order identification number assigned by the payment institution);

115.2. the applicant shall submit to the Ministry of Economics a submission on receiving a licence, which includes information on the applicant (name, registration number, registered address of the merchant) and his or her experience, which characterises its capability to perform hydrocarbon exploration and production activities in the licence area;

115.3. the applicant shall attach the following documents to the submission referred to in Sub-Paragraph 115.2 of this Regulation:

115.3.1. a document certifying that the applicant follows Regulation (EC) No 761/2001 of the European Parliament and of the Council of 19 March 2001 allowing voluntary participation by an organisation in a Community eco-management and audit scheme (EMAS) or the standard LVS EN ISO 14001:2005/AC:2009, Environmental Management System – Requirements with Guidance for Use (ISO 14001:2004/Cor 1:2009);

115.3.2. a statement issued by a competent merchant registration authority (if the merchant is registered abroad) and which contains the following information on the applicant:

115.3.2.1. the country and date of registration of the merchant in the country, which currently is a Member State of the European Union, the World Trade Organization or the European Free Trade Association;

115.3.2.2. officials of the applicant who have the right to act on behalf of the applicant;

115.3.3. a certification that the applicant will overtake the rights and obligations determined for the licensee in the collaboration agreement (if entered into);

115.3.4. a document, which certifies that the applicant is able to financially ensure the performance of the minimum programme of hydrocarbon exploration activities according to its participation share in the licence.

116. If the licence for the exploration and production of hydrocarbons has been issued to several licensees, all the licensees shall sign the submission referred to in Sub-Paragraph 115.1 of this Regulation.

117. After receipt of the submission, documents and information referred to in Paragraph 115 of this Regulation, the Licensing Commission shall assess whether they meet the requirements of this Regulation.

118. If the licensee or the applicant has not submitted all the documents and information referred to in Paragraph 115 of this Regulation, the Ministry of Economics shall set a deadline for the elimination of the shortcomings. If the requested documents and information are not submitted within the determined time period, the Commission shall take the decision to reject the submission and the Ministry of Economics shall inform the licensee and the applicant thereof.

119. If the submissions, documents and information referred to in Paragraph 115 of this Regulation meet the requirements of this Regulation, the Licensing Commission shall assess the applicant's submission by awarding it points according to the criteria for the assessment of technical capability and previous experience of the participant, which are set in the licensing tender regulations for the exploration and production of hydrocarbons offshore or in immovable properties belonging to the State, based on which the licensee has received the licence.

120. The minimum score which should be received for the Licensing Commission to decide on the transfer of a licence or a part thereof offshore or in immovable properties belonging to the State is five.

121. If the submission meets the criteria for the assessment of technical capabilities and previous experience of the participant, which are set in the licensing tender regulations for the exploration and production of hydrocarbons offshore or in immovable properties belonging to the State, based on which the licensee has received the licence, and the assessment of the submission is not lower than the minimum score specified in Paragraph 120 of this Regulation, the Licensing Commission shall decide on the issue of the licence for the exploration and production of hydrocarbons.

122. The Ministry of Economics shall issue the licence referred to in Paragraph 121 of this Regulation based on the decision of the Licensing Commission, without changing the time period of the operation of the licence determined in the initial licence and the minimum programme of hydrocarbon exploration activities. Within 10 days after the issuance of the licence, the Ministry of Economics shall send its copy to the Service and the Centre, and also the competent authority, the Maritime Administration and the Coast Guard Service, if the licence area is located offshore.

123. If the submission does not meet the criteria for the assessment of technical possibilities, previous experience and financial possibilities of the participant, which are determined in the licensing tender regulations for the exploration and production of hydrocarbons offshore or in immovable properties belonging to the State, based on which the licensee has received the licence, or its assessment is lower than the minimum score specified in Paragraph 120 of this Regulation, the Licensing Commission shall take a decision to reject the submission and the Ministry of Economics shall inform the licensee and the applicant thereof within 10 days.

124. If the licensee, which is a merchant registered abroad, transfers the licence or a part thereof to a subsidiary, which is registered in Latvia, the licensee and the applicant shall submit to the Ministry of Economics the documents referred to in Paragraph 110 of this Regulation, if the licence area is located in immovable properties not belonging to the State, or the documents referred to in Paragraph 115 of this Regulation, if the licence area is located offshore or in immovable properties belonging to the State.

125. After receipt of the submission referred to in Paragraph 124 of this Regulation, the Ministry of Economics shall assess whether the submission submitted by the licensee and the applicant and the documents attached thereto meets the requirements of Paragraph 110 or 115 of this Regulation.

126. If the licensee or the applicant has not submitted all the documents and information referred to in Paragraph 110 or 115 of this Regulation in the cases referred to in Paragraph 124 of this Regulation, the Ministry of Economics shall set a deadline for the elimination of the shortcomings. If the requested documents and information are not submitted within the determined time period, the Ministry of Economics shall take the decision to reject the submission and shall inform the licensee and the applicant thereof.

127. If the documents submitted in the case referred to in Paragraph 124 of this Regulation meet the requirements of Paragraph 110 or 115 of this Regulation, the Ministry of Economics shall issue the licence for the exploration and production of hydrocarbons, without changing the time period of operation of the licence determined in the initial licence and the minimum programme of hydrocarbon exploration activities. Within 10 days after the issuance of the licence, the Ministry of Economics shall send its copy to the Service and the Centre, and also the competent authority, the Maritime Administration and the Coast Guard Service, if the licence area is located offshore.

XI. State Licence Fee

128. The State licence fee shall be paid by the licensee.

129. If a joint licence is issued to several licensees, they shall pay the State fee according to the participation share of the licensee determined in the licence.

130. The State licence fee for the prospection of hydrocarbons shall be EUR 700.

131. The State licence fee for the exploration and production of hydrocarbons onshore shall be EUR 3 000.

132. The State licence fee for the exploration and production of hydrocarbons off shore shall be EUR 107 000.

133. If upon a proposal of the licensee changes should be made to the licence, the State fee for the issuance of the licence shall be EUR 350.

134. The licensee shall pay the State license fee through the intermediation of such a provider of payment services which has the rights to provide payment services within the meaning of the Law on Payment Services and Electronic Money.

135. If the licence is lost, stolen, destroyed or damaged, a duplicate licence shall be issued to the licensee free of charge on the basis of his or her submission with an explanation.

XII. General Procedures for the Prospection, Exploration and Production of Hydrocarbons

136. The licensee shall be the owner of the geological and geophysical data obtained in hydrocarbon prospection or hydrocarbon exploration and production activities. The licensee has the obligation to transfer the data, samples and information obtained during the hydrocarbon prospection or hydrocarbon exploration and production activities to the State.

137. The Ministry of Economics and other persons, which receive geological and geophysical data and samples, during the hydrocarbon prospection or hydrocarbon exploration and production activities according to the procedures referred to in this Regulation, shall handle these data and samples according to Section 23, Paragraphs two and five of the Law on Subterranean Depths or Section 5, Paragraph two and Section 7 of the Freedom of Information Law. The licensee may enter into an agreement with the persons referred to in this Paragraph on the transfer of limited availability information belonging to the licensee to third parties.

138. If hydrocarbon prospection or hydrocarbon exploration and production activities are related to ship traffic or the use of aircrafts, a licensee shall coordinate these activities before performing them with the Maritime Administration or the State Agency Civil Aviation Agency.

139. The restriction of the navigation regime and information of ships, when performing these activities offshore, shall take place according to laws and regulations regarding the procedures for the use of Latvian waters and the navigation regime in them.

XIII. Procedures for the Prospection of Hydrocarbons

140. The licensee shall, not less than 30 days before the commencement of the hydrocarbon prospection activities, submit to the Ministry of Economics a schedule for the performance of the hydrocarbon prospection activities. It shall include the intended time periods for the commencement and cessation of the hydrocarbon exploration activities provided for in the programme of activities determined in the licence, as well as the plane LKS92TM co-ordinates or WGS84 co-ordinates of the part of the licence area (where the activities concerned will be performed).

141. The licensee shall submit the schedule referred to in Paragraph 140 of this Regulation in one original copy by attaching its electronic copy. The Ministry of Economics shall send an electronic copy of the schedule to the Service and the Centre within 10 days. If prospection takes place in the offshore licence area, the Ministry of Economics shall also send an electronic copy of the schedule to the Maritime Administration and the competent authority within five days.

142. The licensee has an obligation to submit to the Centre the data, samples, reports and information in accordance with the procedures referred to in the Annex 4 to this Regulation that is obtained during the hydrocarbon prospection activities according to the programme of activities determined in the licence.

143. Licensee's offshore activities may be restricted, if created artificial islands, installations or structures, specific shipping routes and fairways and specially protected nature territories are already located in the licence area.

144. If the licence area for the prospection of hydrocarbons overlaps with the licence area for the exploration and production of hydrocarbons, the licensee who has received the licence for the prospection of hydrocarbons must receive a written permit of the licensee of the hydrocarbon exploration and production licence to perform prospection activities in the area or part of the area, which is overlapping for both licensees referred to in this Paragraph. The licensee of the hydrocarbon exploration licence shall submit an approved copy of the permit to the Ministry of Economics no later than within 10 days after it has been signed.

145. In performing offshore seismic prospection, the licensee has the right to continue seismic measurements in the territory located adjacent to the licence area, not exceeding a distance of 2000 metres from the boundary of the licence area, as well as without crossing the border of the Republic of Latvia or the external border of its exclusive economic zone. The licensee shall inform the Ministry of Economics about the aforementioned activities and the time for the performance thereof and enter into a written agreement for the performance of seismic activities with the licensee of the neighbouring hydrocarbon exploration and production licence area (if any). The licensee shall submit this agreement to the Ministry of Economics not later than 10 days after signing thereof and is allowed to commence hydrocarbon prospection activities.

146. In performing onshore seismic prospection, the licensee has the right to continue seismic measurements in the territory located adjacent to the licence area, not exceeding a distance of 500 metres from the border of the licence area. The licensee shall enter into a written agreement with the owner of the relevant immovable property for the seismic prospection activities and the time for the performance thereof. The licensee shall submit this agreement to the Ministry of Economics not later than 10 days after signing thereof and is allowed to commence hydrocarbon prospection activities.

XIV. General Procedures for the Exploration and Production of Hydrocarbons

147. The licensee has an obligation to fulfil the minimum programme of hydrocarbon exploration activities specified in the licence for the exploration and production of hydrocarbons within the time periods specified in the licence.

148. If the licensee, who has received the licence for the exploration and production of hydrocarbons offshore or in immovable properties belonging to the State, fails to fulfil any part of the minimum programme of hydrocarbon exploration activities in full extent, within two months after the end of the time period specified in the schedule for the performance of activities, it shall pay into the State basic budget a sum of money which corresponds to the costs of the activities that were not carried out and which is indicated in the licence for the exploration and production of hydrocarbons.

149. The licensee has an obligation, in accordance with the procedures specified in the Annex 4 to this Regulation, to submit to the Centre the data, samples, reports and information that are obtained during the hydrocarbon exploration and production activities according to the minimum programme of hydrocarbon exploration activities and additional programmes of exploration activities (if any).

150. When performing exploration of hydrocarbons, the licensee has an obligation to ensure the prevention and restriction of environmental pollution to the extent possible.

151. In order to perform production of hydrocarbons, a permit for polluting activity must be received according to the laws and regulations regulating this sector.

152. A licensee may perform the functions of an operator itself or transfer the performance thereof to another merchant. Regardless of who performs the functions of the operator, the licensee shall be responsible for the process of hydrocarbon exploration and production activities in the licence area and the compliance thereof with the requirements specified in laws and regulations.

153. If a licensee decides to change the operator during the exploration and production of hydrocarbons, he or she shall inform the Ministry of Economics in writing within 30 days after the adoption of such a decision by indicating the merchant which has been selected as the operator, its registration number, registration date and time, as well as its contact information. If the licence has been issued to several licensees, all the licensees shall sign the information.

154. The Ministry of Economics, by consulting with the competent authority, may object to the appointment of the operator. Where such an objection is raised, the Ministry of Economics shall require the licensee to appoint a suitable alternative operator or assume the responsibilities of the operator.

155. Where the competent authority determines that the operator no longer has the capacity to meet the relevant requirements under this Regulation or the requirements of other laws and regulation, the Ministry of Economics shall be informed. The Ministry of Economics shall notify the licensee thereof and the licensee shall assume the responsibility for the discharge of the obligations concerned and shall propose a replacement operator.

156. The licensee and the operator have an obligation to ensure that all relevant measures are taken to prevent major accidents related to the exploration and production of hydrocarbons. Licensees shall not be relieved of their obligations by the fact that actions or negligence leading or contributing to major accidents were performed by a contractor.

157. In case of a major accident, the operator shall implement all suitable measures to limit its consequences for human health and for the environment.

158. The licensee shall be financially liable for the prevention of environmental damage and for the remediation of any harm to the environment and human health caused by hydrocarbon exploration and production activities carried out by or on behalf of the licensee or the operator according to laws and regulations regarding environmental protection and subterranean depths.

159. The hydrocarbons produced offshore or in immovable properties belonging to the State shall become the property of the licensee according to its participation share in the licence the moment when they cross the place of measurements. The place of measurements shall be a hydrocarbon production installation where petroleum or natural gas reaches the measurement device (meter) linked with the flange of the well.

160. The Ministry of Economics shall send a report with information on announced licence areas, issued licences and licensees to the European Commission on an annual basis.

XV. Procedures for the Exploration and Production of Hydrocarbons Onshore

161. The licensee shall submit (in writing or by e-mail without a safe electronic signature) to the Ministry of Economics a schedule of performance of exploration works in a timely manner, but not later than 14 days before the planned commencement of the hydrocarbon exploration activities determined in the minimum programme of hydrocarbon exploration activities in the licence. The Ministry of Economics shall send an electronic copy of this schedule to the Service and the Centre within 10 days.

162. The schedules referred to in Paragraphs 161 and 171 of this Regulation shall state the planned time periods for the commencement and cessation of the activities intended in the minimum programme of hydrocarbon exploration activities or additional exploration activities determined in the licence.

163. If the activities are performed in the existing well or a new well is drilled, in addition to the schedules referred to in Paragraphs 161 and 171 of this Regulation, the licensee shall submit to the Ministry of Economics a copy of a professional indemnity insurance policy and a notice of activities in the well. At least the following information shall be included in the notice:

163.1. the name and address of the operator of the well;

163.2. the name of the installation used and the name and address of the operator of the installation or its contractor who performs the drilling operations;

163.3. the LKS92TM co-ordinates of the location of the well, the well name or number;

163.4. information on the well work programme, including the period of its operation, details and inspection of the barriers against loss of well control (for example, equipment, drilling fluids and cement), directional control of the well path, and limitations on safe operations in accordance with the risk management;

163.5. in case of an existing well, information on its history and condition;

163.6. any data on the intended safety equipment;

163.7. a risk assessment incorporating a description of:

163.7.1. specific hazards associated with the well operation;

163.7.2. suitable control measures;

163.8. a description of the well configuration at the end of the operations (i.e. permanently or temporarily abandoned); and indication whether an equipment has been placed into the well for future use.

164. It is the obligation of the licensee to insure its civil liability for the damages to the property of third persons and harm to the environment created as a result of licensee's action or omission thereof (if those are related to an unexpected accident to the environment), when operating (using and maintaining) the wells and works in licensee's possession.

165. A hydrocarbon production well may be used onshore only in such a way that the orthogonal projection of any point of the well on the geoidal surface is not closer than 50 metres from any boundary of an immovable property, which is not included in the specific licence area (except, when the licensee has received a written permit of the owner of the immovable property concerned to drill the well in any other way, at the same time following the rule that the orthogonal projection of any point of the well on the geoidal surface cannot be located outside the respective licence area).

166. If a licensee wants to commence or resume the experimental production of hydrocarbons in the licence area, he or she shall:

166.1. not less than 30 days before the planned commencement of the experimental hydrocarbon production activities, submit to the Ministry of Economics a schedule for the performance of the experimental hydrocarbon production activities;

166.2. not less than seven days before the planned change of wells used in experimental hydrocarbon production, submit to the Ministry of Economics a schedule for the performance of the hydrocarbon production activities.

167. The following shall be indicated in the schedule for the performance of experimental hydrocarbon production activities:

167.1. number and depth of wells;

167.2. name or number of the each well;

167.3. the LKS92TM co-ordinates of each well;

167.4. scope of the experimental production of hydrocarbons and debit for each well;

167.5. installations used;

167.6. time periods for the commencement and cessation of experimental hydrocarbon production activities.

168. The Ministry of Economics shall send an electronic copy of the documents referred to in Paragraph 166 of this Regulation to the Service and the Centre within 10 days.

169. After the commencement of experimental production of hydrocarbons, every month before the tenth day the licensee shall submit a report to the Ministry of Economics (in writing or by e-mail without a safe electronic signature) in which the number and depth of wells used in experimental production of hydrocarbons, names or numbers of wells, the LKS92TM co-ordinates of each well, the amount of hydrocarbons actually produced in each well, the debit observed in each well (for oil – expressed in barrels per day; for natural gas – expressed in thousands of cubic metres per day), a description of the production technology, as well as actual time periods for the performance of activities, including planned and unplanned breaks in activities, shall be indicated. The Ministry of Economics shall send an electronic copy of the aforementioned report to the Service and the Centre within 10 days.

170. A licensee may perform experimental production of hydrocarbons in an onshore licence area, regardless of the number of wells used for the experimental production of hydrocarbons, no longer than 1800 days during the time determined for the exploration of hydrocarbons in the licence.

171. If the licensee wishes to perform additional hydrocarbon exploration activities that are not indicated in the minimum programme of hydrocarbon exploration activities specified in the licence, within 30 days before the commencement of additional exploration activities, it shall submit (in writing or by e-mail without a safe electronic signature) to the Ministry of Economics a programme of the hydrocarbon exploration activities to be performed additionally and a schedule for the performance thereof. The Ministry of Economics shall electronically send this schedule to the Service and the Centre within 10 days. The licensee may commence the additional exploration activities if, within 30 days after submission of the schedule, the Ministry of Economics has not requested the licensee to supplement, amend or resubmit it.

172. If, in the course of exploration of hydrocarbons, the licensee discovers that the deposit of hydrocarbons exceeds the boundaries of the licence area, it shall notify the Ministry of Economics thereof within 30 days by specifying the LKS92TM co-ordinates of the deposit, the name or cadastre number of the immovable property. If a deposit of hydrocarbons continues beyond the licence area in the immovable property not belonging to the State, the

Ministry of Economics shall inform the owner of the respective immovable property thereof within 30 days after receipt of the licensee's notice.

173. The licensee shall, within 180 days after the fulfilment of a minimum programme or a respective additional programme (if any) of hydrocarbon exploration activities, submit to the Centre the original report. The report shall include the geological characteristics of the part of the deposit in the licence, total and obtainable stock of hydrocarbons, a detailed calculation of the total and obtainable stock of hydrocarbons and a description of the stock calculation methodology according to Annex 4 to this Regulation. If the part of the deposit in the licence area is located in the immovable properties belonging to the State, the report shall include an economic assessment of the part of the deposit located in the licence area. Within 10 days after receipt of the report, the Centre shall send its copy to the Ministry of Economics.

174. Before the submission of the document referred to in Paragraph 175 of this Regulation the licensee has the obligation:

174.1. to enter into a collaboration agreement with a State capital company, if the licence area is located in immovable properties belonging to the State, and the State participation share is determined in the licence;

174.2. to receive a construction permit for construction of wells and other structures used for the production of hydrocarbons according to the procedures provided for in laws and regulations.

175. If the licensee wishes to perform the production of hydrocarbons, he or she shall submit to the Ministry of Economics a plan for the production preparation and hydrocarbon production activities. The Ministry of Economics shall send an electronic copy of the aforementioned plan to the Service within 10 days.

176. The licensee shall indicate the following information in the plan for the hydrocarbon production preparation and hydrocarbon production activities:

176.1. the schedule for hydrocarbon production activities broken down in three-month periods and types of activities;

176.2. the planned amounts of hydrocarbon production in total and by years, the expected average debit (for oil – expressed in barrels per day; for natural gas – expressed in thousands of cubic metres per day), the duration of the use of the part of the deposit located in the licence area;

176.3. the number of wells planned for the exploration and production of hydrocarbons and wells planned for the pumping of gas or water;

176.4. total geological stock and industrially obtainable stock of hydrocarbons, as well as the description of the method for the calculation thereof;

176.5. planned capital investments and other expenses, including the calculation of costs of dismantling of the technical equipment used for the production of hydrocarbons, if the licence has been issued for the exploration and production of hydrocarbons in immovable properties belonging to the State;

176.6. conditions, which may have a negative impact on the licensee's ability to fulfil the plan of hydrocarbon production activities.

177. The Ministry of Economics shall examine the document referred to in Paragraph 175 of this Regulation and shall assess its compliance with the requirements of Paragraph 176 of this Regulation, as well as the requirements of other laws and regulations. If these documents do not comply with the established requirements, the Ministry of Economics shall request the licensee to supplement, amend or resubmit the document referred to in Paragraph 175 of this Regulation. If the document referred to in Paragraph 175 of this Regulation meets the

established requirements, the Ministry of Economics shall send to the licensee an approval for the commencement of the hydrocarbon production preparation activities.

178. The licensee may commence the onshore production of hydrocarbons only after the well and other structures used for the production of hydrocarbons have been built and commissioned, including before the fulfilment of the minimum programme of hydrocarbon exploration activities in full scope.

179. If the information included in the plan of hydrocarbon production preparation and hydrocarbon production activities changes during production of hydrocarbons, the licensee shall submit an updated plan of hydrocarbon production preparation and hydrocarbon production activities to the Ministry of Economics within three days. The Ministry of Economics shall send an electronic copy of the aforementioned plan to the Service within 10 days.

180. During the production of hydrocarbons onshore, each year by 1 April the licensee shall submit to the Centre a report on the performed activities and the amounts of hydrocarbons produced each month in the previous calendar year in accordance with the schedule for the additional hydrocarbon exploration programme (if any) and the submitted plan of hydrocarbon production preparation and hydrocarbon production activities, as well as indicate the balance of total and obtainable stock and losses as of 31 December of the reporting year. The Centre shall send its copy to the Ministry of Economics and the Service within 10 days after receipt of the report.

XVI. Procedures for the Offshore Exploration and Production of Hydrocarbons

181. Before the performance of any offshore oil and gas industry operations, the operator or the owner of the installations shall prepare and submit to the competent authority in a timely manner, but no later than 30 days before the planned commencement of the respective activities:

181.1. a report on major hazards for a non-production installation (an installation other than an installation used for production of oil and gas), which includes:

181.1.1. the name and address of the owner of the installation;

181.1.2. a summary of any worker involvement in the preparation of the report on major hazards;

181.1.3. the description of the installation and, in the case of a mobile installation, a description of its means of transportation between locations, and its stationing system;

181.1.4. the description of the types of operations with major hazard potential that the installation is capable of performing, and the maximum number of persons that can be on the installation at any time;

181.1.5. the certification that all the potential major hazards have been identified, their likelihood and consequences are assessed (including any environmental, meteorological and seabed limitations on safe operations) and that their control measures (including the related elements critical to safety and environment) can be used to reduce the risk of a major accident to an acceptable level. This certification shall include an assessment of the efficiency of all response measures in case of an oil spill;

181.1.6. the description of the mechanism and measures that shall be implemented to ensure well control, process safety, containment of hazardous substances, prevention of fire and explosions, protection of the employees from

hazardous substances, and protection of the environment in the initial stage of a major accident;

181.1.7. the description of the measures that shall be implemented to protect the persons on the installation from major hazards, and to ensure their safe escape, evacuation and rescue, and to maintain control systems with the aim of preventing damage to the installation and the environment when all personnel is evacuated;

181.1.8. information on relevant codes, standards and indications used in the construction and commissioning of the installation;

181.1.9. the certification that all the potential major hazards have been identified for all operations the installation is capable of performing, and that the risk of a major accident is reduced to an acceptable level;

181.1.10. the description of any environmental, meteorological and seabed limitations on safe operations, and the arrangements for identifying risks from seabed and marine hazards (such as pipelines and the moorings of adjacent installations);

181.1.11. information on the safety and environmental management system, that is relevant to the non-production installation;

181.1.12. the internal emergency response plan;

181.1.13. the description of independent inspection schemes;

181.1.14. any other relevant details, for example where two or more installations operate in combination in a way which affects the major hazard potential of either or all installations;

181.1.15. in respect of operations to be conducted from the installation, any information obtained in the process of environmental impact assessment, relating to the prevention of major accidents resulting in significant or serious damage to the environment;

181.1.16. an assessment of the identified potential environmental impact resulting from the spill of pollutants in the event of a major accident, and a description of the technical and other measures intended to prevent, mitigate or eliminate them (including monitoring);

181.2. a document laying down the corporate major accident prevention policy. The following shall be included in this document:

181.2.1. the responsibility at corporate board level for ensuring, on a continuous basis, that the corporate major accident prevention policy is suitable, implemented, and operating as intended;

181.2.2. measures for creating and maintaining a strong safety culture with a high likelihood of continuous safe operation;

181.2.3. the extent and intensity of process auditing;

181.2.4. measures for rewarding and recognising desired behaviours;

181.2.5. the evaluation of the company's capabilities and goals;

181.2.6. measures for the maintenance of safety and environmental protection standards as a corporate core value;

181.2.7. formal command and control systems that include board members and senior management of the company;

181.2.8. the approach to competency at all levels of the company;

181.2.9. the extent to which the information referred to in Sub-Paragraphs 181.2.1, 181.2.2, 181.2.3, 181.2.4, 181.2.5, 181.2.6, 181.2.7 and 181.2.8 of this Regulation is applied to the merchant's offshore oil and gas operations conducted outside the European Union;

181.3. the description of the safety and environmental management system, which includes information about:

181.3.1. structure of the organisation, and personnel roles and responsibilities;

- 181.3.2. identification and evaluation of major hazards as well as their likelihood and potential consequences;
- 181.3.3. integration of environmental impact into major accident risk assessments in the report on major hazards;
- 181.3.4. controls of the major hazards during operations;
- 181.3.5. management of change;
- 181.3.6. emergency planning and response;
- 181.3.7. limitation of damage to the environment;
- 181.3.8. monitoring of performance;
- 181.3.9. audit and review arrangements, including schemes for independent verification;
- 181.3.10. the measures in place for participating in tripartite consultations and how actions resulting from those consultations are put into effect.

182. The licensee shall submit (in writing or by e-mail without a safe electronic signature) the relevant schedule for the fulfilment of the programme of exploration activities to the competent authority in a timely manner, but not later than 30 days before the planned commencement of the hydrocarbon exploration activities indicated in the minimum programme of hydrocarbon exploration activities provided for in the licence. The competent authority shall send an electronic copy of this schedule to the Ministry of Economics, the Service and the Centre within 10 days.

183. The planned time periods for the commencement and completion of the activities envisaged in the minimum programme of hydrocarbon exploration activities or the programme of additional exploration activities specified in the licence shall be indicated in the schedules referred to in Paragraphs 182 and 208 of this Regulation.

184. If the licensee specifies in the schedule referred to in Paragraphs 182 and 208 of this Regulation that a well for the exploration of hydrocarbons will be drilled within the process of the exploration of hydrocarbons, experimental production of hydrocarbons or a combined operation will be performed, he or she shall attach to the schedule and submit to the competent authority the plan referred to in Paragraph 185 of this Regulation, the copy of which the competent authority shall send to the Service and the Coast Guard Service within 10 days.

185. The operator or the owner of the installation shall prepare an internal emergency response plan in cooperation with the Service and the Coast Guard Service. This plan shall include:

185.1. given names, surnames and positions of those persons who are authorised to initiate the emergency response procedures, and the given name, surname and position of the person managing the internal emergency response;

185.2. given name, surname or position of the person who is responsible for the cooperation with the Service and the Sea Search and Rescue Coordination Centre of the Coast Guard Service (hereinafter – the SSRCC Riga);

185.3. annunciation schemes in case of emergency;

185.4. the description of all foreseeable conditions or events which could cause a major accident, as described in the report on major hazards to which the plan is attached;

185.5. the description of the actions that will be taken to control the conditions or events which could cause a major accident and to limit their consequences;

185.6. the description of available equipment and tools (including for the elimination of the consequences of a potential spill), in which the list of locations of the available equipment and its owners, and also information on the transportation of the equipment to the

installation, placement of the equipment and all persons related to the implementation of the internal emergency response plan shall be included. The measures implemented to ensure that the equipment is maintained in good working condition shall be identified in the list;

185.7. arrangements for limiting the risks to persons on the installation or the structure and the environment (including indication on how the warnings are to be given and the actions persons are expected to take when receiving a warning);

185.8. in case of combined operation, measures for coordinating the escape, evacuation and rescue between the installations or structures concerned, to secure a good prospect of survival for persons on the installations during a major accident;

185.9. forecasts of the effectiveness of the response measures in the event of an oil spill. The following environmental conditions shall be taken into account in the response analysis:

185.9.1. weather (including wind, visibility, precipitation and temperature);

185.9.2. offshore conditions, currents;

185.9.3. presence of ice and debris;

185.9.4. hours of daylight;

185.9.5. other known environmental conditions that might influence the efficiency of the response equipment or the overall effectiveness of a response effort;

185.10. measures for the provision of the initial report on a major accident to the Service and SSRCC Riga, the information which shall be included in the initial report and the measures for the provision of more detailed information as it becomes available;

185.11. a transition to the National Marine Oil, Hazardous or Noxious Substance Pollution Contingency Plan (hereinafter – the National Contingency Plan);

185.12. measures for the training of the personnel for the performance of the obligations determined in the internal emergency response plan, and for a coordinated transition to the National Contingency Plan.

186. The internal emergency response plan referred to in Paragraph 185 of this Regulation shall be integrated with other measures relating to the protection and rescue of personnel from a stricken installation or structure to secure a good prospect of personal safety and survival.

187. The operator or the owner of the installation shall review and update the internal emergency response plan referred to in Paragraph 185 of this Regulation according to any material change in the report on major hazards, as well as in the notification of well operations or combined operations. The operator or the owner of the installation shall submit an updated internal emergency response plan to the competent authority. The competent authority shall send a copy of the aforementioned plan to the Service and the Coast Guard Service within 10 days.

188. If the licensee or the operator has entered into an agreement with an authority or a merchant for the performance of the emergency liquidation operations envisaged in the internal emergency response plan, a certified copy of the agreement shall be attached to the internal emergency response plan referred to in Paragraph 185 of this Regulation.

189. The operator shall ensure that the exploration and production of hydrocarbons is carried out on the basis of the systematic risk management so that the residual risks of major accidents, which are a combination of the probability of an event and the consequences of that event, to persons, the environment and installations and structures used for the exploration and production of hydrocarbons are acceptable.

190. If the activities are performed in the existing well or a new well is drilled, in addition to the schedules referred to in Paragraphs 182 and 212 of this Regulation, the licensee shall

submit to the competent authority a copy of a professional indemnity insurance policy and a notice of activities in the well. At least the following information shall be included in this notice:

- 190.1. the name and address of the operator of the well;
- 190.2. the name of the installation to be used or, in the case of a production installation, the name and address of the contractor performing drilling activities;
- 190.3. the well identification data and information on the way how the well is related to the installation and connected infrastructure;
- 190.4. information on the well work programme, including the period of its operation, information on the barriers against loss of well control (for example, equipment, drilling fluids and cement) and their inspection, directional control of the well path, and limitations on safe operations in keeping with the risk management;
- 190.5. in case of an existing well, information on its history and condition;
- 190.6. data on safety equipment to be deployed that is not described in the current report on major hazards for the installation;
- 190.7. the risk assessment including the description of:
 - 190.7.1. the particular hazards associated with the well operation (including any environmental, meteorological and seabed limitations on safe operations);
 - 190.7.2. the subsurface hazards;
 - 190.7.3. any surface or subsea operations which introduce simultaneous major hazard potential;
 - 190.7.4. suitable control measures;
- 190.8. the description of the well configuration at the end of operations (i.e. permanently or temporarily abandoned); and whether production equipment has been placed into the well for future use;
- 190.9. in the case of a previously submitted notification of well operations with amendments, sufficient data to fully update the notification;
- 190.10. where a non-production installation is used for the drilling, reconstruction or maintenance of a well, the following additional information:
 - 190.10.1. the description of all environmental, meteorological and seabed limitations on safe operation, and the measures for identifying the risks created by the seabed and marine hazards (such as pipelines and the moorings of adjacent installations);
 - 190.10.2. the description of environmental conditions that have been taken into account within the internal emergency response plan for the installation;
 - 190.10.3. the description of such emergency response regulations (including regulation for responding in cases of environmental incidents) that are not described in the report on major hazards;
- 190.11. the description of how the management systems of the operator of the well and the licensee are to be coordinated to ensure effective control of major hazards at all times;
- 190.12. the information relevant to this Regulation according to laws and regulations regarding labour protection requirements for extraction of minerals;
- 190.13. in respect of the well operations, any information related to other requirements of this Regulation and obtained pursuant to laws and regulations regarding the assessment of the environmental effects in relation to the prevention of major accidents which would cause significant or serious harm to the environment.

191. It is the duty of the licensee to insure its civil liability for act or omission that resulted in damages to property of third parties and harm to the environment (if those are related to unexpected accident to the environment), when operating (using and maintaining) the wells and works it possesses.

192. When planning and drawing up major changes to the submitted notification on well operations the licensee or the operator shall invite to participate an independent inspector and shall immediately inform the competent authority about any material change to the submitted notification on well operations.

193. If well operations involve the risk related to unplanned spills of hydrocarbons from the well, which might cause a major accident, each Monday, starting from the day when the well operations are commenced, the operator shall submit a report to the competent authority, in which at least the following information shall be included:

193.1. the name and address of the operator of the well;

193.2. the name of the installation used and the name and address of the operator or owner of the installation;

193.3. well identification data and any information on the way how the well is related to installations or connected infrastructure;

193.4. a summary of the actions performed since the commencement of actions or since the previous report;

193.5. the diameter and true vertical and measured depths of any hole drilled or any casing installed;

193.6. the drilling fluid density at the time of making the report;

193.7. in case of operations relating to an existing well, its current operational state.

194. If the licensee intends to carry out field operations of the exploration or production of hydrocarbons related to impact on the seabed, it shall submit a submission to the National Armed Forces with a proposal to provide information they have at their disposal on the safety of the seabed in the part of the licence area, where the works concerned are intended.

195. If the licensee has already performed the preparation of the seabed safety inspection activities, the following shall be attached to the submission referred to Paragraph 194 of this Regulation:

195.1. a schedule for the performance of the work programme, in which the type of seabed safety inspection activity intended in the hydrocarbon exploration and production licence area, time schedules, time periods for the commencement and cessation;

195.2. a plan for the part of the hydrocarbon exploration and production licence area, where the performance of the respective seabed safety inspection activities is intended. The WGS84 co-ordinates of the respective part of the licence area shall be indicated in the plan;

195.3. propositions on the procedures by which the licensee shall report to the National Armed Forces about found explosive objects, as well as explosive objects, which need to be destroyed to prevent hazards during hydrocarbon exploration or production activities.

196. Within a month after receipt of the submission referred to in Paragraph 194 of this Regulation, the National Armed Forces shall provide information at its disposal on safety of the seabed in the part of the licence area, where hydrocarbon exploration or production field operations or production activities with impact on the seabed are intended. The National Armed Forces shall send a copy of this information to the competent authority and the Ministry of Economics within 10 days.

197. The National Armed Forces shall monitor that the licensee performs the actions referred to in Sub-Paragraph 195.1 and Paragraph 199 of this Regulation.

198. The National Armed Forces shall destroy the explosive objects as soon as possible, but not later than within two years after receipt of the report referred to in Sub-Paragraph 195.3 of this Regulation.

199. If explosive objects are found during the seabed safety inspection, the destruction of which requires technical equipment, which is not available to the National Armed Forces, the National Armed Forces shall inform the licensee thereof in writing within a month of receiving the report referred to in Sub-Paragraph 195.3 of this Regulation. After receipt of the aforementioned information, the licensee has the right to involve a competent third party for the destruction of explosive objects, with which he or she shall conclude a contract on the destruction of explosive objects. The licensee shall coordinate the draft contract with the National Armed Forces before signing it.

200. If the licensee intends to carry out offshore hydrocarbon exploration field activities, it shall submit a submission to the Maritime Administration proposing to coordinate hydrocarbon exploration activities in terms of navigation safety. The submission shall be accompanied by the information referred to in Sub-Paragraphs 195.1 and 195.2 of this Regulation.

201. Upon receipt of the submission referred to in Paragraph 200 of this Regulation, the Maritime Administration shall send to the licensee an opinion regarding coordination of exploration activities in terms of navigation safety. The Maritime Administration shall send a copy of the said opinion to the competent authority, the Ministry of Economics and the Coast Guard Service within 10 days.

202. The licensee may commence hydrocarbon exploration activities within the time period set in the schedule referred to in Paragraph 182 and 212 of this Regulation, if the performance of the said activities meets the requirements provided for in this Regulation and other laws and regulations, as well as in the licence and if within 30 days from the day of submission of the schedule referred to in Paragraph 182 or within 30 days from the day of submission of the schedule referred to in Paragraph 212 of this Regulation, as well as, if the activities are performed in the existing well or a new well is being drilled, of the day submission of the notification of well operations referred to in Paragraph 190 of this Regulation and the copy of the insurance policy the competent authority has not requested the licensee to supplement, amend or resubmit the aforementioned documents, as well as the competent authority has accepted the report on major hazards for a non-production installation referred to in Sub-Paragraph 181.1 of this Regulation.

203. If combined operation is carried out during the exploration and production of hydrocarbons, the operator and the owner of the installation involved in combined operation, shall jointly prepare a notification of combined operation, which they shall submit to the competent authority in a timely manner, but no later than 30 days before the planned commencement of the activity.

204. The notification of combined operations shall include at least the following information:

204.1. the name and address of the operator who submits the notification;

204.2. if any other operator or owner of the installation is involved in the combined operations, its name and address, and the confirmation that they agree with the contents of the notification;

204.3. a description, in the form of a bridging document accepted by all its signatories, on the way by which the management systems for the installations involved in the combined operation will be coordinated to reduce the risk of a major accident to an acceptable level;

204.4. a description of any equipment to be used in connection with the combined operation but which is not described in the current report on major hazards for any of the installations involved in the combined operations;

204.5. a summary of the risk assessment carried out by all operators and owners of installations involved in the combined operations, which shall include:

204.5.1. the description of any operation during the combined operation which may involve hazards with the potential to cause a major accident on or in connection with an installation;

204.5.2. the description of any risk control measures introduced as a result of the risk assessment;

204.6. a description of the combined operation and work programme.

205. The competent authority shall consider the notification of combined operations and, if deemed necessary, take appropriate action before the combined operations are commenced, which may include prohibiting the operation from being commenced.

206. The operator who has submitted the notification of combined operations shall immediately inform, the competent authority about any material changes in the submitted notification.

207. If a licensee wants to commence or resume the production of experimental hydrocarbons in the offshore licence area, he or she shall:

207.1. not less than 30 days before the planned commencement of the experimental hydrocarbon production activities, submit to the competent authority a schedule of the performance of the experimental hydrocarbon production activities in one original copy;

207.2. not less than seven days before the planned change of wells used in experimental hydrocarbon production, submit to the competent authority a schedule of the performance of the hydrocarbon production activities in one original copy.

208. The schedule for the performance of experimental hydrocarbon production activities shall state:

208.1. the number and depth of wells;

208.2. the name or number of the each well;

208.3. the WGS84 co-ordinates of each well;

208.4. the scope of experimental production of hydrocarbons and debit for each well;

208.5. the installations used;

208.6. time periods for the commencement and cessation of the experimental hydrocarbon production activities.

209. The competent authority shall send an electronic copy of the documents referred to in Paragraph 207 of this Regulation to the Ministry of Economics, the Service, the Maritime Administration and the Centre within 10 days.

210. After the commencement of experimental production of hydrocarbons, each month before the tenth day the licensee shall submit a report to the competent authority, in which the number and depth of wells used in experimental production of hydrocarbons, names or numbers of wells, the WGS84 co-ordinates of each well, the amount of hydrocarbons actually produced in each well, the debit observed in each well (for oil – expressed in barrels per day; for natural gas – expressed in thousands of cubic metres per day), a description of the production technology, as well as actual time periods for the performance of activities, including planned and unplanned breaks in activities, shall be indicated. The competent

authority shall send an electronic copy of the report to the Ministry of Economics, the Service and the Centre within 10 days.

211. A licensee may perform experimental production of hydrocarbons in an offshore licence area, regardless of the number of wells used for the experimental production of hydrocarbons, no longer than 180 days during the hydrocarbon production determined in the licence.

212. If the licensee wishes to perform additional hydrocarbon exploration activities that are not indicated in the minimum programme of hydrocarbon exploration activities determined in the licence, within 30 days before the commencement of additional exploration activities, he or she shall submit (in writing or by e-mail without a safe electronic signature) to the competent authority a programme of the hydrocarbon exploration activities to be performed additionally and a schedule for the performance thereof according to the requirements set in Paragraph 183 of this Regulation. The competent authority shall send an electronic copy of the schedule to the Ministry of Economics, the Service and the Centre within 10 days.

213. If changes must be made to the non-production installation which created material change, or it is intended to dismantle a fixed non-production installation, the owner of the installation shall prepare an amended report on major hazards and submit it to the competent authority in a timely manner, but no later than 30 days before making of the intended changes.

214. The changes referred to in Paragraph 213 of this Regulation shall be made and the dismantlement shall be commenced only after the competent authority has accepted the amended report on major hazards for the fixed or mobile non-production installation.

215. The owner of the non-production installation shall perform a thorough review of the report on major hazards for a non-production installation at least once in every five years or earlier upon a request of the competent authority. The results of the review shall be notified to the competent authority.

216. Where the activity carried out by the operator or the owner of an installation poses an immediate danger to human health or significantly increases the risk of a major accident, they shall immediately implement suitable measures (including, if deemed necessary, suspending the relevant activity until the danger or risk is adequately controlled). Where such measures are implemented, the operator or the owner shall notify the competent authority without delay, but no later than 24 hours after implementing those measures.

217. When performing the exploration and production of hydrocarbons offshore, the operator and the owner of installations or structures shall be obliged to:

217.1. pay particular attention to the assessment of the reliability and integrity requirements for all systems critical to safety and environment, as well as to ensure that their inspection and maintenance systems guarantee achieving the required level of safety and environmental integrity;

217.2. implement measures to ensure, as far as reasonably practicable, that there is no unplanned spill of hazardous substances from pipelines, vessels and systems intended for their safe confinement. In addition, operator and owner shall ensure that no single failure of a containment barrier can lead to a major accident;

217.3. ensure they have a suitable framework for monitoring compliance with all relevant statutory requirements by incorporating their statutory obligations in respect of major hazard control and environmental protection into their standard operating procedures;

217.4. pay particular attention to building and maintaining a strong safety culture with a high likelihood of continuous safe operation, including with regard to securing participation of the employees through:

217.4.1. visible commitment to tripartite consultations and actions arising therefrom;

217.4.2. encouraging to report about accidents and prevented possible accidents, and rewarding for such reporting;

217.4.3. working effectively with elected safety representatives;

217.4.4. protecting the whistleblowers.

218. Within 60 days after the completion of each hydrocarbon exploration activity determined in the minimum programme of hydrocarbon exploration activities or included in the programme of additional exploration activities the licensee shall submit to the competent authority the original summary of results. Within 10 days after receipt of the summary of results, the Competent Authority shall send its copy to the Ministry of Economics and the Centre.

219. If, in the course of exploration of hydrocarbons, the licensee discovers that the deposit of hydrocarbons exceeds the boundaries of the licence area, it shall notify the Ministry of Economics thereof within 30 days after the completion of exploration activities by indicating the WGS84 co-ordinates of the deposit.

220. Within 180 days after the fulfilment of the minimum programme or a respective additional programme (if any) of hydrocarbon exploration activities, the licensee shall submit to the competent authority the original report. The report shall include the geological characteristics of the part of the deposit in the licence, total and obtainable stock of hydrocarbons, a detailed calculation of the total and obtainable stock of hydrocarbons and a description of the stock calculation methodology, as well as an economic assessment of the part of the deposit located in the licence area according to Annex 4 to this Regulation. The competent authority shall send its copy to the Ministry of Economics and the Centre within 10 days after receipt of the report.

221. Before the submission of the documents referred to in Paragraph 223 of this Regulation the licensee shall be obliged:

221.1. to perform in full scope the activities included in the minimum programme of hydrocarbon exploration activities and to submit a report referred to in Paragraph 220 of this Regulation to the competent authority;

221.2. to enter into a collaboration agreement with a State capital company, if the State participation share is determined in the licence;

221.3. according to the procedures set out in the laws and regulations to receive a construction permit for the construction of wells and other structures used for the production of hydrocarbons;

221.4. to submit a design notification to the competent authority. The following shall be included in this notification:

221.4.1. the name and address of the operator of the installation;

221.4.2. the description of the design process for the production operations and systems (from an initial concept to the submitted design or selection of an existing installation), the relevant standards used, and the design concepts included in the process;

221.4.3. the description of the selected design concept in relation to the major hazard scenarios for the particular installation and its location, and the primary risk control features;

- 221.4.4. the certification that the concept contributes to reducing major hazard risks to an acceptable level;
- 221.4.5. the description of the installation and the conditions at its intended location;
- 221.4.6. the description of any environmental, meteorological and seabed limitations on safe operations, and the arrangements for identifying risks from seabed and marine hazards (such as pipelines and the moorings of adjacent installations);
- 221.4.7. the description of the types of major hazard operations to be carried out;
- 221.4.8. the general description of the safety and environmental management system by which the intended major accident risk control measures are to be maintained in good effect;
- 221.4.9. the description of the independent inspection schemes and an initial list of elements critical to safety and environment and their appropriate functioning.

222. The competent authority shall evaluate the design notification and shall provide comments to be taken into account by the operator, when preparing the report on major hazards for a production installation.

223. If the licensee wishes to perform production of hydrocarbons, he or she shall submit to the competent authority:

223.1. a plan for hydrocarbon production preparation and hydrocarbon production activities in three original copies. The competent authority shall send a copy of this plan to the Ministry of Economics and the Service within 10 days;

223.2. an action plan, which provides for the preparedness of technical rescue facilities for the personnel, which will be employed on artificial islands, structures and installations used in the planned production of hydrocarbons in the licence area, if the licence area is located offshore;

223.3. an action plan on constant preparedness of technical facilities for collection of oil and hazardous substances pollution to perform emergency works for the elimination of the consequences of accidents in the licence area, if the licence area is located offshore;

223.4. documents certifying that the licensee is able to financially secure the performance of activities for the liquidation or preservation of hydrocarbon production wells according to the plan for production preparation and hydrocarbon production activities and eliminate the environmental damage, if any;

223.5. a report on major hazards for a production installation prepared by the operator, in which at least the following information shall be included:

223.5.1. a description of how the response of the competent authority to the design notification has been taken into account;

223.5.2. the name and address of the operator of the installation;

223.5.3. a summary of any employee involvement in the preparation of the report on major hazards;

223.5.4. a description of the installation and indication that the installation is related to other installations or the connected infrastructure (including wells);

223.5.5. certification that all potential major hazards have been identified, and their likelihood and consequences have been assessed (including any environmental, meteorological and seabed limitations on safe operations) and that the control measures (including related elements critical to safety and environmental) can be used to reduce the risk of a major accident to an acceptable level. This certification shall include an assessment of the efficiency of all response measures in case of an oil spill;

223.5.6. the description of the types of action connected with the possibility of major hazard potential, and the maximum number of persons who can be on the installation at the same time;

223.5.7. the description of the equipment and measures that should be implemented to ensure the ensure well control, safety of processes, restriction of hazardous substances, prevention of fire and explosion, protection of the employees against hazardous substances, and protection of the environment at the initial stages of a major accident;

223.5.8. the description of the measures that shall be implemented to protect the persons on the installation or structure from major hazards, and to ensure their safe escape, evacuation and rescue, and to maintain control systems with the aim of preventing damage to the installation and the environment when all personnel is evacuated;

223.5.9. relevant codes, standards and indications used in the construction and commissioning of the installation or structure;

223.5.10. information on the operator's safety and environmental management system that is relevant to the production installation;

223.5.11. the internal emergency response plan referred to in Paragraph 185 of this Regulation;

223.5.12. the description of independent inspection schemes;

223.5.13. any other relevant details, for example where two or more installations operate in combination in a way which affects the major hazard potential of either or all installations;

223.5.14. all the information relevant to this Regulation according to laws and regulations regulating safety arrangements in mining;

223.5.15. in respect of operations to be conducted from the installation, any information relating to the prevention of major accidents resulting in significant or serious damage to the environment relevant to other requirements under this Regulation, obtained pursuant to laws and regulations regarding environmental impact assessment;

223.5.16. an assessment of the identified potential environmental impact resulting from the spill of pollutants in the event of a major accident, and a description of the technical and non-technical measures intended to prevent, mitigate or eliminate them (including monitoring).

224. The licensee shall indicate the following information in the plan of hydrocarbon production preparation and hydrocarbon production activities:

224.1. the schedule for the hydrocarbon production preparation activities broken down in three-month periods and types of activities;

224.2. the planned amounts of hydrocarbon production in total and by years, the expected average debit (for oil – expressed in barrels per day; for natural gas – expressed in thousands of cubic metres per day), the duration of the use of the part of the deposit located in the licence area;

224.3. the number and the depth of wells planned for the exploration and production of hydrocarbons and wells planned for the pumping of gas or water, their location scheme by specifying the WGS84 co-ordinates and places of measurements of produced hydrocarbons;

224.4. the number and the date for the issue of the construction permit;

224.5. the technical specification and the location scheme of technological installations;

224.6. a description of the hydrocarbon production, transporting, storage procedures and reloading technologies;

224.7. total and obtainable stock of hydrocarbons and the description of the method for the calculation thereof;

224.8. planned capital investments and other expenses, including the calculation of costs of dismantling of the technical equipment used for the production of hydrocarbons;

224.9. safety measures to be taken during the hydrocarbon production preparation and hydrocarbon production activities, including measures in case of emergency;

224.10. conditions, which may have a negative impact on the licensee's ability to fulfil the plan of hydrocarbon production preparation and hydrocarbon production activities.

225. When a consent of the competent authority is received, a report on major hazards for a production installation may be prepared for each group of installations.

226. The competent authority shall examine the documents referred to in Paragraph 223 of this Regulation and assess their compliance with the provisions of Paragraphs 223 and 224 of this Regulation, as well as the requirements of other laws and regulations within 60 days. If these documents do not meet the established requirements, the competent authority shall request the licensee to supplement, amend or resubmit the documents referred to in Paragraph 223 of this Regulation.

227. If the competent authority finds that the documents referred to in Paragraph 223 of this Regulation meet the provisions of Paragraphs 223 and 224 of this Regulation, as well as the requirements of other laws and regulation, it shall send an acceptance to the licensee.

228. The licensee may commence the production of hydrocarbons offshore only after the well and other structures used for production of hydrocarbons have been built and commissioned.

229. In order to commence the production of hydrocarbons, the licensee shall, not later than 10 days before the planned commencement of hydrocarbon production activities, inform the competent authority in writing by specifying the date for the commencement of production.

230. The operator shall perform a thorough review of the report on major hazards for a production installation at least once in every five years or upon a request of the competent authority. The results of the review shall be notified to the competent authority.

231. If material changes must be made to the hydrocarbon production installation, the operator shall prepare and submit to the competent authority an amended report on major hazards for a production installation. At least the following information shall be included in the aforementioned report:

231.1. the name and address of the operator or the owner of the installation;

231.2. a summary of the participation of employees in the preparation of the revised report on major hazards;

231.3. sufficient data to fully update the earlier report on major hazards and associated internal emergency response plan for the installation and to demonstrate that major hazard risks are reduced to an acceptable level.

232. The competent authority shall evaluate the updated report on major hazards referred to in Paragraph 231 of this Regulation and, where further information is necessary before it can be accepted, shall request the operator to submit such information and make any necessary changes to the submitted report on major hazards.

233. The modifications referred to in Paragraph 231 of this Regulation shall be commenced only after the competent authority has accepted the report on major hazards for the production installation.

234. If an existing production installation is to be moved to a new production location where it is to be operated, the operator or the licensee shall submit a relocation notification to the competent authority in a timely manner, but no later than 30 days before the planned commencement of the operation. The following information shall be included in the notification:

234.1. the name and address of the owner of the installation;

234.2. the description of the design process for the production operations and systems (from an initial concept to the submitted design or selection of an existing installation), the relevant standards used, and the design concepts included in the process;

234.3. the description of the selected design concept in relation to the major hazard scenarios for the particular installation and its location, and the primary risk control possibilities;

234.4. the certification that the concept contributes to the reduction of major hazard risks to an acceptable level;

234.5. the description of the installation and the conditions at its intended location;

234.6. the description of any environmental, meteorological and seabed limitations on safe operations, and the arrangements for identifying risks from seabed and marine hazards (such as pipelines and the moorings of adjacent installations);

234.7. the description of the types of major hazard operations to be carried out;

234.8. general description of the safety and environmental management system with which the intended major accident risk control measures are to be maintained in good effect;

234.9. the description of the independent inspection schemes and an initial list of elements critical to safety and environment and their appropriate functioning;

234.10. the certification that the installation is suitable for the proposed production operation.

235. If a hydrocarbon production installation has to be brought in or out of the offshore waters of the Republic of Latvia, the operator shall notify the competent authority in writing no later than three days before the performance of the intended operation.

236. If the information included in the plan of hydrocarbon production preparation and hydrocarbon production activities changes during the production of hydrocarbons, the licensee shall, without delay, submit to the competent authority an updated plan of hydrocarbon production preparation and hydrocarbon production activities. The competent authority shall send an electronic copy of the plan to the Ministry of Economics and the Service within 10 days.

237. During the offshore production of hydrocarbons, by 1 April of each year, the licensee shall submit to the Centre the original report on the performed activities and the amounts of hydrocarbons produced each month in the previous calendar year in accordance with the schedule of the additional hydrocarbon exploration programme (if any) and the submitted plan of hydrocarbon production preparation and hydrocarbon production activities, as well as indicate the balance of total and obtainable stock and losses as of 31 December of the reporting year. The Centre shall send its copy to the competent authority, the Ministry of Economics and the Service within 10 days after receipt of the report.

XVII. Environmental Protection Requirements for the Hydrocarbon Exploration and Production Activities

238. The equipment of the drilling tower for hydrocarbon exploration or production activities offshore shall meet the requirements of Regulation 39 of Annex I to the International Convention for the Prevention of Pollution from Ships of 1973, as modified by the Protocol of 1978 (hereinafter – the MARPOL 73/78).

239. It is prohibited to discharge into the sea any waste, including polluted waters and residues which are created during the operation of a vessel or platform, but are not cargo residues, and which are subject to Annex I, IV and V to the MARPOL 73/78, as well as any waste related to vessel's cargo, which are provided for in the guidelines for the implementation of Annex V to the MARPOL 73/78.

240. It is prohibited to discharge into the sea any chemicals included in the list of harmful substances included in Paragraph 1.2 of Annex I to the Helsinki Convention on the Protection of the Marine Environment of the Baltic Sea Area, and any materials containing chemicals.

241. It is prohibited to discharge into the sea drilling mud and any waste thereof.

242. The requirements referred to in this Chapter are not applicable, if human life or objects related to the exploration or production are at risk of complete destruction, and discharging is the only possibility for the elimination of such risk, and the harm caused by discharging is lesser than the harm which would be caused by not discharging. Such discharging shall be performed in a way which would maximally minimize the possible harm to human health or the environment. The cases referred to in this Paragraph do not constitute a basis for the release from the responsibility set out in the Environmental Protection Law.

243. Any discharge according to Paragraph 242 of this Regulation shall be reported by the licensee to the Service within 24 hours after the commencement of the discharge by stating the content, potential amount of the discharged substances, the place and the time of discharge.

244. Pumping of gas or water in oil layers to foster production, as well as repumping of liquids pumped out in the process of production of hydrocarbons back to oil layers shall not be considered as the pollution of subterranean depths. The licensee shall envisage these operations in the plan of hydrocarbon production preparation and hydrocarbon production activities.

XVIII. State Participation in the Exploration and Production of Hydrocarbons Offshore or in Immovable Properties Belonging to the State

245. The Participation of the State in the production of hydrocarbons on behalf of the Republic of Latvia shall be implemented by a State capital company, which enters into the collaboration agreement with the licensee on behalf of the State. The collaboration agreement and amendments thereto shall be coordinated by the State capital company with the Minister for Economics.

246. The following shall be stipulated in the collaboration agreement:

246.1. the governing body of collaboration and the competence thereof;

246.2. mutual liabilities and responsibility of the licensee and the State;

246.3 the responsibility of the licensee and the State before third persons;

246.4. the procedures for drawing up the programme and budget of the hydrocarbon production activities;

246.5. the procedures for the selection of the operator, the functions, rights, obligations and responsibility thereof;

246.6. the number of votes. When deciding on collaboration issues, the State and the licensee shall have the number of votes corresponding to the share of participation thereof;

246.7. the voting procedures in the governing body of collaboration;

246.8. the procedures for the mutual coordination of expenditures and conditions for the payment thereof;

246.9. the procedures for receiving the proportionate share of income;

246.10. the essential collaboration issues for the acceptance of which an unanimous decision by the licensee and the State capital company would be necessary;

246.11. if the parties deem it appropriate, the licensee's right to wholly or partly transfer the share of the licence that belongs to it in sub-use, including by setting the procedure for adoption of the decision on the sub-user, commencement or termination of sub-use and regulations regarding the rights, obligations and liability of both parties to the collaboration agreement and the sub-user;

246.12. the procedures by which the procurements of goods and services shall be performed for the preparation and implementation of the production of hydrocarbons;

246.13. other stipulations which the parties consider as important.

247. The licensee shall cover the costs of production of hydrocarbons until the day, when he or she submits the plan for the production preparation and hydrocarbon production activities referred to in Paragraph 175 or 223 of this Regulation to the Ministry of Economics or the competent authority.

248. If the State participation share is determined in the licence area and the documents and information referred to in Paragraph 175 or 223 of this Regulation are submitted, the Ministry of Economics shall, in cooperation with the State capital company and within three months after the submission of the additional information or documents referred to in Paragraph 177 or 226 of this Regulation, prepare and submit for examination to the Cabinet a conceptual report on the financing of the State participation share by providing the following possibilities therein:

248.1. financing of the State participation share from the State budget. In this case, the principles for the alienation of hydrocarbons acquired according to the State participation share, and the amount of deductions provided for the State capital company and their application procedures shall be included in the conceptual report;

248.2. the State participation share shall not be financed. In this case, proposals for the alienation of the State participation share shall be included in the conceptual report.

249. Up to the moment, when the Cabinet takes the decision on the possibility of financing the State participation share and the State capital company receives the financing to secure the State participation share, the licensee shall cover the expenses for the production of hydrocarbons according to the terms and conditions of the collaboration agreement, including the part of the State participation share. The Cabinet shall take the decision on financing the State participation share within six months after receipt of the conceptual report referred to in Paragraph 248 of this Regulation.

250. If the licensee has made financial investments in production preparation and hydrocarbon production activities after the submission of the documents referred to in Paragraph 175 or 223 of this Regulation or additional information or documents referred to in Paragraph 177 or 226 of this Regulation to the Ministry of Economics or the competent authority and the

Cabinet of Ministers takes the decision to finance the State participation share, the State shall cover the licensee's financial investments referred to in this Paragraph in the amount of the State participation share by additionally paying interest in the amount provided for in Section 1765 of the Civil Law. The State shall pay the principal amount and interest payment to the licensee within 12 months after the submission of the documents referred to in Paragraph 175 or 223 of this Regulation or the additional information and documents referred to in Paragraph 177 or 226 of this Regulation.

251. In the case referred to in the Sub-Paragraph 248.2 of this Regulation, if the licensee has made financial investments in production preparation and hydrocarbon production activities after the submission of the documents referred to in Paragraph 175 or 223 of this Regulation or additional information or documents referred to in Paragraph 177 or 226 of this Regulation to the Ministry of Economics or the competent authority, the person, in favour of whom the State participation share is being alienated, shall cover the licensee's financial investments referred to in this Paragraph in the amount of the State participation share by additionally paying the interest in the amount provided for in Section 1765 of the Civil Law. The person shall pay the principal amount and interest payment to the licensee within three months from the day, when the licence for the exploration and production of hydrocarbons in which the participation share is determined for the person was issued to him or her.

252. The costs incurred by the State capital company when fulfilling the State participation from the moment when the licence referred to in Sub-Paragraph 27.2.1 of this Regulation was issued shall be covered from State budget funds.

253. After the commencement of the production of hydrocarbons in the exploration and production licence area in which the State participation share has been determined, the costs referred to in Paragraph 252 of this Regulation may be covered from deductions from the hydrocarbon sales income of the State capital company.

XIX. Competent Authority

254. The competent authority shall have the following regulatory functions:

254.1. the assessment and acceptance of reports on major hazards, assessment of the design notifications, assessment of the notifications of well operations or combined operations, and the assessment of other similar documents submitted to it;

254.2. the overseeing of the compliance of operators and owners with this Regulation, including inspections, investigations and enforcement actions;

254.3. the provision of advice to other authorities or bodies;

254.4. the preparation of the annual plans in accordance with Sub-Paragraph 255.7, Paragraph 260 and Sub-Paragraph 270.1 of this Regulation;

254.5. the preparation of reports;

254.6. the cooperation with the competent authorities or contact points in accordance with Paragraphs 262, 263 and 264 of this Regulation.

255. The competent authority shall:

255.1. act independently from the policy, regulatory decisions or other considerations unrelated to its duties under this Regulation;

255.2. clearly indicate the scope of its obligations and the obligations of the operator and the owner to control the major accident risks in accordance with this Regulation;

255.3. draw up a policy, process and procedures for thorough assessment of reports on major hazards and notifications submitted pursuant to the requirements of this Regulation as

well as oversee the compliance with this Regulation (including through inspection, investigation and enforcement activities);

255.4. in accordance with Sub-Paragraph 255.3 of this Regulation, make the policy, process and procedures available to operators and owners, and make summaries thereof available to the public;

255.5. where necessary, prepare and implement procedures coordinated or common with other authorities in the European Union Member States to undertake its duties under this Regulation;

255.6. base its policy, organisational and operational procedures on the principles referred to in Paragraphs 260 and 261 of this Regulation;

255.7. oversee the progress of operators and owners in complying with the measures determined in the report on major hazards and in the plans referred to in the notification of well operations and notification of combined operations.

256. The competent authority shall prepare:

256.1. a written strategy in which its duties, operating priorities in relation to design and functioning of installations, integrity management, emergency preparedness and response, and guidance regarding its organisation shall be described;

256.2. operating procedures in which its methods for the inspection of the obligations of operators and owners referred to in this Regulation and for ensuring their fulfilment, including the way it will examine, assess and accept reports on major hazards, examine notifications of well operations and methods for establishing intervals in the inspection of major hazard risk control measures (including to the environment), for the specific installation or activities shall be described;

256.3. procedures for performing its duties.

257. The procedures referred to in Sub-Paragraph 256.2 of this Regulation require all factual information and other information required under this Regulation which must be provided by the operator or the owner in order to assess the reports on major hazards. The competent authority shall ensure that at least the following information is submitted and that the relevant requirements are clearly indicated in the guidelines for operators and owners:

257.1. all foreseeable hazards with the potential to cause a major accident (including to the environment) are identified, their risks evaluated and measures for the control of these risks are established (including emergency response);

257.2. the safety and environmental management system is adequately described to demonstrate compliance with the requirements of this Regulation;

257.3. appropriate arrangements for independent inspection and for audit by the operator or owner are described.

258. The competent authority shall establish mechanisms:

258.1. for confidential reporting of safety and environmental concerns relating to offshore oil and gas operations from any source;

258.2. for the investigation of the reports referred to in Sub-Paragraph 258.1 of this Regulation while maintaining the anonymity of the individuals concerned.

259. When performing a thorough assessment of reports on major hazards, the competent authority shall ensure that:

259.1. all factual information required is provided;

259.2. the operator or the owner has identified all cases of reasonably foreseeable major accident hazards that are related to the installation and its functions, and that the methodology and criteria for the assessment of major accident risks are clearly explained (including factors of uncertainty related to the analysis);

259.3. the risks management takes into account all the relevant stages in the lifecycle of the installation and provides for all foreseeable cases including:

259.3.1. how the design decisions described in the design notification have taken into account risk management in order to ensure the incorporation of inherent safety and environmental principles;

259.3.2. how during the operation the well operations should be conducted from the installation;

259.3.3. how the well operations should be undertaken and temporarily suspended before the production is commenced from a production installation;

259.3.4. how the combined operations should be undertaken with other installation;

259.3.5. how the decommissioning of the installation will be carried out;

259.4. how the risk reduction measures identified in the risk management are intended to be implemented if the risks must be reduced to an acceptable level;

259.5. whether, in determining the necessary measures to achieve acceptable levels of risk, the operator or owner has clearly demonstrated how the relevant best practice and judgments based on sound engineering practice, best management practice, and the principles of human and organisational factors have been taken into account;

259.6. whether the measures and arrangements for the detection of, and the rapid and effective response to an emergency are clearly identified and justified;

259.7. whether the escape, evacuation and rescue procedures and measures for the elimination of the escalation of an emergency and reduction of its impact on the environment are integrated in a logical and systematic manner by taking into account the likely emergency conditions in which they will be implemented;

259.8. how the relevant requirements are incorporated in the internal emergency response plans and whether a copy or an adequate description of these plans has been submitted to the competent authority;

259.9. whether the safety and environmental management system described in the report on major hazards is adequate to ensure the control of the major hazard risks at each stage of the installation lifecycle, and ensures the compliance with all relevant legal provisions, and whether the report provides for auditing and implementing audit recommendations;

259.10. whether the scheme for independent inspection is clearly explained.

260. The competent authority shall draw up annual plans for effective oversight of major offshore hazards, including by performing inspections, taking into account the risk management and having particular regard to compliance with the report on major hazards and other documents submitted pursuant to this Regulation. The competent authority regularly review the effectiveness of the plans, and also shall take any necessary measures to improve them.

261. In relation to the action of the licensee performing offshore exploration and production of hydrocarbons, the competent authority shall have the right to:

261.1. prohibit the operation or commencement of operations with the installation or any connected infrastructure, if it considers that the measures proposed in the report on major hazards for the prevention or limiting of the consequences of major accidents or notifications of well operations or combined operations are do not comply with the requirements referred to in this Regulation;

261.2. in emergencies and cases where it considers that safety and environmental protection is not compromised, shorten the time interval required between the submission of the report on major hazards or other documents and the commencement of operations;

261.3. require the operator to implement such proportionate measures as the competent authority considers necessary to ensure that all appropriate measures for the prevention of major accidents in offshore oil and gas operations are implemented;

261.4. where Paragraph 154 of this Regulation applies, implement appropriate measures to ensure continued safety of operations;

261.5. require improvements and, if necessary, prohibit the continued operation of any installation or any part thereof, or any connected infrastructure, if the outcomes of an inspection, assessment in accordance with Paragraph 154 of this Regulation, periodic review of the report on major hazards or other documents submitted by the licensee, operator or owner of the installation in accordance with this Regulation show that the requirements of this Regulation are not being fulfilled or there are reasonable concerns about the safety of the offshore oil and gas operations or installations;

261.6. enter into agreements with appropriate European Union agencies or other suitable bodies for the provision of specialist expertise to support the competent authority in carrying out its functions;

261.7 submit to the Ministry of Economics a proposal for the suspension of the licence or reduction of its term of operation, if the requirements referred to in this Regulation are not fulfilled.

262. The competent authority shall regularly exchange knowledge, information and experience with other competent authorities (inter alia, through the European Union Offshore Oil and Gas Authorities Group (EUOAG)), and engage in discussion on the application of relevant national and European Union law with the industry representatives, other stakeholders and the European Commission.

263. Knowledge, information and experience exchanged in accordance with Paragraph 262 of this Regulation shall concern, in particular, the functioning of the risk management measures, major accident prevention, verifications of compliance and emergency response relating to the offshore oil and gas operations within and also, where appropriate, outside the European Union.

264. The competent authority shall participate in establishing clear common priorities for the preparation and updating of standards and guidance in order to identify and facilitate the implementation and consistent application of the best practices in offshore oil and gas operations.

XX. Oversight and Control of Hydrocarbon Prospection, and Exploration and Production Activities

265. The Ministry of Economics shall ensure administrative oversight of hydrocarbon prospection, and exploration and production activities by evaluating the documents submitted by the applicant or the licensee according to the requirements of laws and regulation, and also by verifying the authenticity of the submitted documents.

266. Officials of the Service shall control the compliance with the conditions referred to in the environmental laws and regulation and in the permission issued for the performance of polluting activity, as well as the compliance with the requirements for the preparedness for liquidation of pollution in hydrocarbon exploration and production activities according to the following terms:

266.1. each year by 20 October the Service shall submit to the competent authority and the Ministry of Economics the control schedule for the next calendar year by providing inspections at last once a year;

266.2. officials of the Service shall have the right, according to the control schedule and in cases when reasonable suspicions for believing that the object involved in hydrocarbon exploration or production activities has caused environmental pollution have arisen, to control the compliance with environmental laws and regulation, to stay in the object involved in the hydrocarbon exploration or production activities free of charge, as well as to receive the information and copies of documents necessary for the fulfilment of their functions.

267. In controlling the hydrocarbon exploration and production activities in offshore locations for the production of hydrocarbons, the Service may conduct an unscheduled or scheduled inspection.

268. If the Service intends to conduct a scheduled inspection in offshore locations for the production of hydrocarbons, it shall notify the competent authority and the licensee thereof 48 hours before the scheduled inspection. The officials of the competent authority and the Ministry of Economics may also participate in the inspection.

269. The Service shall inform the competent authority, the Ministry of Economics, the Centre and the licensee about the results of control within 14 days.

270. The licensee shall ensure:

270.1. in the case referred to in the Paragraph 268 of this Regulation, that officials of the Service, the competent authority and the Ministry of Economics are provided with a transport to or from an installation or vessel associated with the oil and gas operations (including the transportation of their equipment) at any reasonable time, and with accommodation, meals and other subsistence needs in connection with the visits to the installations, to assist the Service, the competent authority and the officials of the Ministry of Economics perform the oversight (including inspections, investigations and enforcement);

270.2. the provision of information necessary for the control of compliance with environmental laws and regulation to the Service;

270.3. continuous fulfilment of environmental protection requirements and the internal emergency response plan. On a semi-annual basis, if the licence area is located offshore, or on an annual basis, if the licence area is located onshore, the licensee shall inform the Service on the results of fulfilment of the relevant requirements and the plan;

270.4. periodic automated control and registration of emissions, as well as provision of regular reports to the Service on substances released into the environment according to the provisions of the permit for the performance of polluting activity.

271. The operator and the owner of installations and structures used in exploration and production of hydrocarbons, by consulting with the competent authority and representatives of employees, shall prepare and revise standards and guidance on best practice in relation to the control of major offshore hazard risks throughout the whole design and operational lifecycle of offshore oil and gas operations, and that the following priorities are taken into account in the drawing up of the aforementioned standards and guidelines:

271.1. improving well integrity, well control equipment and barriers and monitoring their effectiveness;

271.2. improving the primary containment;

271.3. improving the secondary containment to limit major accident (including to prevent explosions in the early stages);

271.4. justified decisions;

271.5. management and supervision activities related to a major hazard;

271.6. competency of main employees;

271.7. effective risk management;

271.8. reliability assessment for systems critical to safety and environment;
271.9. key performance indicators;
271.10. effective integration of safety and environmental management systems between operators, owners and other persons involved in the oil and gas operations.

272. The operator or the owner of installations and structures used in exploration and production of hydrocarbons shall establish schemes for independent inspection and prepare a description of such schemes, which shall be submitted to the competent authority according to Sub-Paragraphs 180.1.13, 221.4.9, 223.5.12 and 234.9 of this Regulation. This description shall include:

272.1. a statement by the operator or owner, made after examination of the report of the independent inspector that the data on elements critical to safety and environment and their maintenance scheme is or will be acceptable in accordance with the report on major hazards;

272.2. a description of the scheme for independent inspection, including the selection of independent inspectors and the means of inspection, to determine elements critical to safety and environment and the specific mechanism indicated in the scheme is being maintained and is in a good condition;

272.3. a description of the means of inspection referred to in Sub-Paragraph 272.2 of this Regulation which shall include a detailed description of the principles that will be used for the performance of the functions under the scheme and for the regular review of the scheme throughout the lifecycle of the installation including:

272.3.1. the inspection and testing of elements critical to safety and environment carried out by independent and competent inspectors;

272.3.2. verification of the design, standard, certification or other inspection of the compliance systems of elements critical to safety and environment;

272.3.3. inspection of the activities being performed;

272.3.4. reporting of any instances of non-compliance;

272.3.5. corrective actions performed by the operator or owner.

273. Schemes for independent inspection shall be drawn up for:

273.1. installations, to give independent assurance that the elements critical to safety and environment described in the report on major hazards and determined during the installation risk assessment exist and that the schedule for inspection and testing of elements critical to safety and environment is suitable, up-to-date and functioning as planned;

273.2. notifications of well operations, to give independent assurance that the well design and well control measures are always suitable for the foreseen well conditions.

274. The selection of an independent inspector and the drawing up of a scheme for independent inspection shall meet the following criteria:

274.1. in relation to the independence of the inspector from the operator and the owner of the installation the following conditions shall be fulfilled:

274.1.1. within its functions the independent inspector shall not examine any element critical to safety and environment or any part of an installation, or a well, or a well installation, if the inspector has been connected with it prior to the inspection activity or if his or her objectivity regarding it might be compromised;

274.1.2. the independent inspector shall be sufficiently independent from the management system which is or has been responsibility for any component covered by the scheme for independent inspection or well inspection, to ensure objectivity in carrying out his or her functions under the scheme;

274.2. in respect of the scheme for independent inspection relating to an installation or a well, the following conditions shall be fulfilled:

274.2.1. the independent inspector shall have suitable technical competence, including, where necessary, suitably qualified and experienced personnel in adequate numbers to fulfil the requirements of Sub-Paragraph 274.1 of this Regulation;

274.2.2. the independent inspector shall ensure appropriate allocation of duties to be performed in accordance with the scheme for independent inspection between the personnel qualified to perform them;

274.2.3. suitable arrangements shall be in place for the flow of information between the operator or owner and the independent inspector;

274.2.4. the independent inspector shall have received suitable authority to be able to carry out its functions effectively.

275. The operator or the owner shall ensure that the recommendation received from an independent inspector according to Sub-Paragraph 273.1 of this Regulation and records of action taken on the basis of such recommendation are made available to the competent authority and retained for a period of six months after the completion of the relevant offshore oil and gas operations.

276. The operator of the well shall present the findings and comments of the independent inspector by taking into account Sub-Paragraph 273.2 of this Regulation and actions of the operator in response to those findings and comments in the notification of well operations prepared in accordance with Paragraph 190 of this Regulation.

277. The operator and the owner of the installation shall respond to recommendation of an independent inspector and take appropriate actions based on them.

278. For an offshore hydrocarbon production installation or structure the scheme for independent inspection shall be implemented before the completion of the design of the installation or structure concerned. For an offshore non-production installation the scheme shall be in place prior to the commencement of operations.

279. If material changes are made to the report referred to in Sub-Paragraph 273.1 of this Regulation or the notification referred to in Sub-Paragraph 273.2 of this Regulation, the operator or the owner of installations and structures used in exploration and production of hydrocarbons shall notify the independent inspector, so that he or she could perform additional inspection in accordance with the scheme for independent inspection, and shall notify the results of the additional inspection to the competent authority.

280. The results of the independent inspection shall be without prejudice to the responsibility of the operator or the owner for correct and safe functioning of the equipment and systems under inspection.

281. The operator or the owner of offshore installations and structures used in the exploration and production of hydrocarbons shall ensure that their corporate major accident prevention policy document referred to in Sub-Paragraph 181.2 of this Regulation also covers both their hydrocarbon production installations and structures and non-production installations located outside of the European Union.

282. The operator and the owner of installations and structures used in the exploration and production of hydrocarbons shall communicate details of the mechanisms of the competent authority referred to in Paragraph 258 of this Regulation to their employees and contractors, and ensure that references to confidential reports are included in the relevant trainings and notices.

283. The merchants which are registered in the Republic of Latvia and perform offshore exploration and production of hydrocarbons outside the European Union themselves or through subsidiaries, and as licensees or operators have been involved in a major accident shall provide the report referred to in Paragraph 299 of this Regulation to the competent authority within 30 days by attaching information on the circumstances of the major accident thereto.

284. Emergency response to situations shall take place according to the National Contingency Plan (hereinafter also – the external plan), which is applicable to all offshore oil and gas installations, or connected infrastructure and potentially affected areas within Latvian jurisdiction, taking into account the most up to date version of internal plans of installations or connected infrastructure in the area covered or intended to be covered by the National Contingency Plan. The duties and the financial contribution of licensees and operators for emergency response shall be set in the National Contingency Plan.

285. The tasks of the authorities, emergency responders, coordinators and other subjects active in emergency response shall be clearly established in the National Contingency Plan, so that cooperation is ensured for a response to a major accident. Rescue of oiled animals shall take place according to the National Contingency Plan.

286. The external plan shall be made available to the European Commission, other potentially affected European Union Member States and the public. When making the external plan available, it shall be ensured that the disclosed information does not pose risks to the safety, security and functioning of offshore oil and gas installations and does not have an adverse effect on the economic interests of the European Union Member States or the personal safety and well-being of officials of European Union Member States.

287. The Coast Guard Service shall maintain data on emergency response equipment and services. These data shall be available to other potentially affected European Union Member States and the European Commission, and also, on the basis of mutual agreements, to countries outside the European Union.

288. In order to achieve a high level of compatibility and interoperability of response equipment and expertise, the Service and the Coast Guard Service shall cooperate with countries of the Baltic Sea Region within the Baltic Marine Environment Protection Commission (HELCOM), with other European Union Member States, as well as with countries, which are not European Union Member States.

289. When commencing operations or at least once a year, or at the request of the Coast Guard Service, operators and owners shall test their preparedness to respond effectively to major accidents in cooperation with the Service and the Coast Guard Service.

290. If the oil and gas operations planned in the sea waters in the jurisdiction of the Republic of Latvia may cause a major hazard or may have a considerable impact on the environment of another European Union Member State, then prior to the commencement of these operations the potentially affected country shall be notified according to laws and regulations of the environmental impact assessment. The competent authority together with the Service shall cooperate with the potentially affected European Union Member State to agree on measures for the prevention of harm and, if necessary, jointly evaluate the efficiency of measures, without prejudice to the regulatory functions of the competent authority according to Sub-Paragraphs 254.1, 254.2 and 254.3 of this Regulation.

291. The major hazards shall be taken into account in the internal and external emergency response plan to facilitate joint effective response to a major accident.

292. Where there is a foreseeable risk that a major accident will have a transboundary effect to countries which are not European Union Member States, information exchange shall take place based on international treaties or trans-national cooperation agreements on environmental protection.

293. In order to prevent a potential negative transboundary effect of offshore oil and gas operations, the European Union Member States shall coordinate between themselves measures relating to areas outside of the European Union, including by taking into account the action plans jointly prepared by countries of the Baltic Sea Region.

294. Responsible authorities shall regularly test their preparedness to respond effectively to major accidents by cooperating with potentially affected European Union Member States, relevant European Union agencies and countries of the Baltic Sea Region through the HELCOM.

295. In the event of a major accident, or of an imminent threat thereof, or if such accident has or the risk thereof might have transboundary effects, the European Union Member State under whose jurisdiction the situation has occurred shall immediately notify the European Commission and those European Union Member States or third countries which may be affected by the situation and shall continuously provide information relevant for an effective emergency response.

XXI. Elimination of the Consequences of Accidents in Hydrocarbon Exploration and Production Activities

296. Offshore installations for the elimination of the consequences of accidents shall be subject to the following requirements:

296.1. relevant number of installations for the elimination of potential consequences, if there has been a spill of hydrocarbons from exploration or production wells, vessel, platform or pipeline, taking into account the geological location of the well, evaporation and emulsification of hydrocarbons;

296.2. hydrocarbon collection systems, booms and transport materials shall be designed so they can be used and they are effective in the conditions of the currents and the height of waves that prevail in the relevant region (the height of waves up to two meters and the speed of current up to one knot), and the installations shall be capable of being operated in the prevailing temperature conditions in the relevant region;

296.3. the capability of the equipment to be used in the conditions of ice for the elimination of consequences of accidents to eliminate pollution in conditions of low temperature, ice and under the ice has been examined;

296.4. the installations intended for the elimination of pollution of harmful substances used in a substantial amount that are different from hydrocarbons shall comply with the following conditions:

296.4.1. the quantity and type of installations shall be such, so that the user may determine and report the amount of pollution and location thereof, prevent or reduce the largest potential release of substances and eliminate the maximum pollution;

296.4.2. if the pollution is floating and insoluble in water, it may be restricted, collected and transported in the conditions referred to in Sub-Paragraph 296.2 of this Regulation.

297. When environmental pollution is detected, an operator shall have the following obligations:

297.1. to immediately identify the source of the pollution;

297.2. to carry out the operations necessary for the elimination of the pollution and causes thereof in accordance with the internal emergency response plan;

297.3. if the pollution occurred offshore, to immediately report to the SSRCC Riga and the Service:

297.3.1. the type and amount of the pollution;

297.3.2. the time and place for detection of the pollution;

297.3.3. the source of the pollution;

297.3.4. the operations commenced for the elimination of the pollution and causes thereof;

297.3.5. meteorological conditions at the place of the pollution.

298. Use of dispersants (use of such substances or products, which facilitate spreading of hydrocarbon pollution) during the elimination of hydrocarbon pollution shall be limited as much as possible. Each time the use of dispersants shall be co-ordinated with the Service in advance. The use hydrocarbon sinking substances for the elimination of pollution is prohibited.

299. If an accident occurs during offshore exploration or production of hydrocarbons, the operator or the owner of the installation shall prepare and within 10 days submit to the competent authority a report on incidents and major accidents in offshore exploration and production of hydrocarbons. This aforementioned report shall be submitted, if any of the following accidents have occurred:

299.1. unintended spill of oil, gas and other hazardous substances with or without ignition;

299.2. loss of well control due to which the well control equipment must be started, or a failure of well barrier due to which it must be replaced or repaired;

299.3. failure of an element critical to safety and environment;

299.4. significant loss of structural integrity, loss of protection against the effects of fire or explosion, unplanned changes in the position of a mobile installation;

299.5. vessels on collision course and actual vessel collision with structures or installations used in the offshore exploration or production of hydrocarbons;

299.6. helicopter accident on or near the structures or installations used in offshore exploration or production of hydrocarbons;

299.7. evacuation of personnel;

299.8. major environmental incident.

300. The competent authority shall evaluate the report referred to in Paragraph 299 of this Regulation and shall determine whether the accident qualifies as a major accident. The competent authority shall publish this information on its website.

XXII. Termination of Hydrocarbon Exploration and Production Activities

301. If it is intended to dismantle a fixed production installation or demolish an offshore structure, the operator shall prepare an amended report on major hazards and submit it to the

competent authority no later than 60 days prior to the planned commencement of such activities. At least the following information shall be included in the aforementioned report:

301.1. the name and address of the operator or the owner of the installation;

301.2. a summary of the participation of employees in the preparation of the revised report on major hazards;

301.3. sufficient data to fully update the earlier report on major hazards and associated internal emergency response plan for the installation, and to demonstrate that major hazard risks are reduced to an acceptable level;

301.4. information on means of isolating all hazardous substances and, in the case of wells connected to the installation, the permanent sealing of the wells from the installation and the environment;

301.5. a description of the major hazard risks associated with the decommissioning of the installation for the workers and the environment, the total exposed population, and the risk control measures;

301.6. information on emergency response measures to secure safe evacuation and rescue of personnel and to maintain control systems for preventing a major accident to the environment.

302. The dismantling of an installation or a demolition of a structure referred to in Paragraph 301 of this Regulation offshore shall be commenced only after the competent authority has accepted the report on major hazards for the production installation.

303. If there are hydrocarbon exploration or production wells and structures used for the production of hydrocarbons in the licence area, the licensee, not later than 60 days prior to the termination of hydrocarbon exploration or production activities, shall submit to the Ministry of Economics (if the licence area is located onshore) or to the competent authority (if the licence area is located offshore) a plan for the termination of activities, if:

303.1. the licensee relinquishes the licence;

303.2. the period of operation of the licence expires;

303.3. the licensee wishes to decommission a hydrocarbon exploration or production well or other structure or installation used for the production of hydrocarbons.

304. The following shall be indicated in the plan for the termination of activities:

304.1. the number of wells to be liquidated or preserved, as well as the number of structures to be demolished and the number of installations to be dismantled;

304.2. the procedures for the dismantling of installations and demolition of structures;

304.3. the procedures for the transportation of dismantled equipment and construction waste generated as a result of demolition of structures;

304.4. the procedures for the liquidation and preservation of wells;

304.5. the procedures for the remediation of soil after dismantling of installations and demolition of structures, if the licence area is located onshore;

304.6. the procedures and method for the collection of the waste generated as a result of dismantling the hydrocarbon installations and demolition of structures;

304.7. the information on further use for the structures which will not be demolished, or installations which will not be dismantled;

304.8. other activities related to termination of production of hydrocarbons.

305. If the licence area is located onshore, the Ministry of Economics shall send a copy of the plan for the termination of activities referred to in Paragraph 303 of this Regulation to the Service within 10 days after receipt thereof. If the licence area is located offshore, the competent authority shall send a copy of the plan for the termination of activities to the

Ministry of Economics, the Service, the Coast Guard Service and the Maritime Administration within 10 days after receipt thereof.

306. If the licensee relinquishes the licence or intends to terminate the use of an installation, a well or structures due to *force majeure* circumstances, he or she shall immediately notify the Ministry of Economics (if the licence area is located onshore) or the competent authority (if the licence area is located offshore) thereof. The notification shall include information in accordance with Paragraph 303 of this Regulation and shall state the reason why the use of the installation or well is terminated.

307. The licensee has the obligation to ensure that prior to leaving the licence area (unless the licence is transferred to a third party) all the activities related to the dismantling of installations, demolition of structures, liquidation or preservation of the well, soil remediation, as well as other activities related to the termination of activities envisaged in the plan for the termination of activities are carried out and the obligations of the licensee specified in the licence are fulfilled.

XXIII. Force Majeure Circumstances

308. The licensee shall not be responsible for the failure to fulfil the obligations specified in the licence or for the delay of the fulfilment if the failure to fulfil or the delay is related to the *force majeure* circumstances.

309. The licensee shall immediately, but no later than within 48 hours, notify the Ministry of Economics of the *force majeure* circumstances by attaching the information at the licensee's disposal on the nature of the relevant circumstances and the effects caused thereby, and carry out actions to mitigate the consequences.

310. If *force majeure* circumstances interrupt, impede or renders impossible the hydrocarbon exploration and production activities, the period of operation of the licence, as well as the deadline for the fulfilment of particular obligations arising from the licence shall be extended for the time period which is equal to the length of the *force majeure* circumstances and the time period which is necessary for the resumption of the activities, however, such extension cannot exceed the time period when the *force majeure* circumstances existed.

311. If due to *force majeure* circumstances it is impossible to reach the aims referred to in the licence, the Ministry of Economics shall, together with the licensee, decide on amendments to the provisions of the licence or the termination of the operation of the licence.

XXIV. Final Provisions

312. The Cabinet Regulation No. 595 of 18 July 2006, Regulations regarding the Protection of the Environment during Exploration and Production of Hydrocarbons in the Sea (*Latvijas Vēstnesis*, 2006, No 114), is repealed.

313. The Cabinet Regulation No. 256 of 24 March 2009, Regulations of the Hydrocarbon Exploration and Production Licensing Commission" (*Latvijas Vēstnesis*, 2009, No 50), is repealed.

314. The licensee, to whom the licence for the exploration and production of hydrocarbons was issued before the day of entry into force of this Regulation, shall fulfil the minimum programme of hydrocarbon exploration activities included in the licence in the amount and

within the time periods determined in the licence (unless it was amended upon a proposal of the licensee according to the procedures set out in this Regulation).

315. The licensee, to whom the licence for the exploration and production of hydrocarbons was issued before the day of entry into force of this Regulation, may construct wells for production of hydrocarbons in the respective licence area according to the laws and regulation without observing the requirements of Paragraphs 164 and 165 of this Regulation (with the exception of the requirement that the orthogonal projection of any point of the well on the geoidal surface cannot be located outside the respective licence area).

316. The requirements of this Regulation for offshore oil and gas operations shall be applied to the owners, operators of planned production installations and operators planning or drilling wells until 19 July 2016.

317. By 19 July 2016, the competent authority shall notify the European Commission of the measures implemented in relation to access to knowledge, assets and expert resources, by including information on the agreements referred to in Sub-Paragraph 261.6 of this Regulation.

Informative Reference to European Union Directives

This Regulation contains legal norms arising from:

1) Directive 94/22/EC of the European Parliament and of the Council of 30 May 1994 on the conditions for granting and using authorizations for the prospection, exploration and production of hydrocarbons;

2) Directive 2013/30/EU of the European Parliament and of the Council of 12 June 2013 on safety of offshore oil and gas operations and amending Directive 2004/35/EC.

Prime Minister

Laimdota Straujuma

Minister for Economics

Dana Reizniece-Ozola

To the Ministry of Economics

**Submission for the Determination of the Licence Area for the Use of
Subterranean Depths for Prospection of Hydrocarbons or Exploration and
Production of Hydrocarbons**

On the basis of Paragraph 13 of the Cabinet Regulation No. 805 of 22 December 2015, Regulations Regarding the Prospection, Exploration and Production of Hydrocarbons, I (we) submit a proposal for the determination of a licence (hereinafter – the licence) area for the use of the subterranean depths, and also the following information:

1. Information on the submitter:

1.1. merchant's name _____

1.2. merchant's registration number, date and place _____

1.3. registered address _____

1.4. telephone
number _____

1.5. fax number (if any) _____

1.6. e-mail address (if any) _____

1.7. website (if any) _____

2. The purpose of use of the subterranean depths is the prospection of
hydrocarbons/exploration and production of hydrocarbons in the licence area
(underline as appropriate)

3. Location of the proposed licence area onshore:

_____, _____
(parish) (municipality)

4. Information on the licence area:

4.1. onshore – plane co-ordinates in the Latvian Geodetic System LKS92TM

4.2. offshore – geographical co-ordinates of latitude and longitude in the World Geodetic System 1984 WGS84

5. The submission is accompanied by files, original documents or certified copies thereof:
- 5.1. justification for the proposal to determine a licence area (in free form) p. ____
- 5.2. merchant's registration certificate (if the merchant is registered abroad) p. ____
- 5.3. written information on immovable properties which are located in the licence area referred to in Paragraph 4 of this submission*: p ____
- 5.3.1. location of the immovable property (parish, municipality)
- 5.3.2. name of the immovable property
- 5.3.3. cadastre number of the immovable property
- 5.4. plan of the licence area (original (in two copies) and on CD (in one copy) with resolution at least 300 dpi) (not larger than A3 format) issued by a licensed surveyor, the scale of which is determined by the proposer and which shows the boundaries and cadastre designations of immovable properties according to the data of the Immovable Property State Cadastre Information System*. The following information shall be indicated in the plan: p. ____
- 5.4.1. plane co-ordinates of the onshore licence area in the Latvian Geodetic system LKS92TM
- 5.4.2. boundaries of the immovable property included in the licence area
- 5.4.3. name and cadastre number of the immovable property included in the licence area
- 5.4.4. area and scale of the licence area
- 5.4.5. licence area location scheme
- 5.5. if the determination of an offshore licence area is proposed, the following shall be indicated in the plan:
- 5.5.1. scheme and area of the licence area
- 5.5.2. geographical co-ordinates of latitude and longitude in the World Geodetic System 1984 WGS84
- 5.6. a file issued by the State Land Service with data of the Immovable Property State Cadastre Map*
- 5.7. notarial certified authorisation to the person who submits the submission on behalf of the owner of the immovable property* p. ____

(date**)

(submitter's name, surname, signature**)

Notes.

1. * The document shall be submitted if the determination of a licence area is proposed onshore.
2. ** Document properties "signature" and "date" are not completed, if the electronic document has been prepared in accordance with the laws and regulations regarding the execution of electronic documents.

Minister for Economics

Dana Reizniece-Ozola

To the Ministry of Economics

Application for Making Amendments to the Licence Area for the Use of Subterranean Depths for the Prospection or Exploration and Production of Hydrocarbons

On the basis of Paragraphs 21, 22 and 24 of Cabinet Regulations No 805 of 22 December 2015, Regulations Regarding the Prospection, Exploration and Production of Hydrocarbons, I (we) submit a proposal for making an amendment to the licence (hereinafter – the licence) area for the use of subterranean depths that has been determined by the

Cabinet Order No. of _____, _____,
(title of the order)

as well as the following information:

1. Information on the submitter:

1.1. merchant's name _____

1.2. merchant's registration number, date and place _____

1.3. registered address _____

1.4. telephone number _____

1.5. fax number (if applicable) _____

1.6. e-mail address (if applicable) _____

1.7. website (if applicable) _____

2. Making amendments to the licence area for the prospection of hydrocarbons or exploration and production of hydrocarbons.
(underline as appropriate)

3. Location of the licence area to be amended onshore:

_____, _____,
(parish) (municipality)

4. Information on the licence area after the amendments:

4.1. onshore – plane co-ordinates in the Latvian Geodetic System LKS92TM

4.2. offshore – geographical co-ordinates of latitude and longitude in the World Geodetic System 1984 WGS84

5. The submission is accompanied by files, original documents or certified copies thereof:

5.1. justification for the amendments to the licence area (to be submitted in free form) p. _____

5.2. merchant's registration certificate (if the merchant is registered abroad) p. _____

5.3. written information regarding immovable properties which are located on the licence area specified in Paragraph 4 of this submission*: p. _____

5.3.1. location of the immovable property (parish, county)

5.3.2. name of the immovable property

5.3.3. cadastre number of the immovable property

5.3.4. written certification of the owner of the immovable property permitting to expand the licence area to his/her territory

5.4. plan of the licence area (original (in two copies) and on CD (in one copy) with resolution at least 300 dpi) (not larger than in A3 format) issued by a licensed surveyor, the scale of which is determined by the initiator and which shows boundaries and cadastre designations of land units according to the data of the Immovable Property State Cadastre Information System*. The following shall be indicated on the plan: p. _____

5.4.1. plane co-ordinates of the onshore licence area in the Latvian Geodetic system LKS92TM

5.4.2. boundaries of the immovable property included in the licence area

5.4.3. name and cadastre number of the immovable property included in the licence area

5.4.4. area and scale of the licence area

5.4.5. licence area location scheme

5.5. if the licence area is offshore, the following shall be indicated in the plan:

5.5.1. scheme and area of the licence area

5.5.2. geographical co-ordinates of latitude and longitude in the World Geodetic System 1984 WGS84

5.6. A file issued by the State Land Service with data of the Immovable Property State Cadastre Map*

5.7. notarial certified authorisation to the person who submits the submission on behalf of the owner of the immovable property* p. _____

(date**)

(submitter's name, surname, signature**)

Notes.

1. * The document shall be submitted if the licence area is located onshore.

2. ** Document properties "signature" and "date" are not completed, if the electronic document has been prepared in accordance with the regulatory enactments on execution of electronic documents.

Minister for Economics

Dana Reizniece-Ozola

To the Ministry of Economics

Application for the Receipt of a Licence for the Use of Subterranean Depths for the Prospection of Hydrocarbons

On the basis of Paragraph 37 of Cabinet Regulation No. 805 of 22 December 2015,
Regulations Regarding the Prospection, Exploration and Production of Hydrocarbons, and

Cabinet Order No. of _____ ,
_____ ,
(title of the order)

I (we) submit the following information and documents for the receipt of a licence for the use
of subterranean depths

_____, _____ ,
(parish) (municipality)

1. Information on the submitter:

1.1. merchant's name _____

1.2. merchant's registration number, date and place _____

1.3. registered address _____

1.4. telephone
number _____

1.5. fax number (if any) _____

1.6. e-mail address (if any) _____

1.7. website (if any) _____

2. The desired period of the operation of
the licence (in years) _____

3. Information on the licence area:

3.1. onshore – plane co-ordinates in the Latvian Geodetic System LKS92TM

3.2. offshore – geographical co-ordinates of latitude and longitude in the World Geodetic
System 1984 WGS84

4. The work programme for the prospection of hydrocarbons. The following information shall
be included in the work programme:

4.1. the activities proposed by the applicant broken down by years;

- 4.2. the amount of seismic activities to be performed (km, km²);
- 4.3. the method how the seismic activities shall be performed technically (use of 2D (two-dimensional), 3D (three-dimensional) or 4D (four-dimensional) method);
- 4.4. the re-processing of seismic data, processing of seismic activities, acquisition of gravimetric, geochemical and other possible data.

5. The application is accompanied by original documents or certified copies thereof:

5.1. merchant's registration certificate (if the merchant is registered abroad) p. _____

5.2. document confirming that all the landowners that are in the territory of the licence area (except the State) have chosen the applicant* p. _____

(date**)

(submitter's name, surname, signature**)

Notes.

- 1. * The document shall be submitted if the licence area is located onshore.
- 2. ** Document properties "signature" and "date" are not completed, if the electronic document has been prepared in accordance with the regulatory enactments on execution of electronic documents.

Minister for Economics

Dana Reizniece-Ozola

Procedures for the Submission of Data, Samples, Reports and Information Obtained during the Hydrocarbon Exploration and Production Activities

1. General Provisions

1. This Annex sets out the procedure by which the licensee shall submit the data of geophysical and geochemical surveys, seabed and soil survey data and samples, information on drilling data and other information that are obtained during hydrocarbon prospection, exploration and production activities to the State limited liability company Latvian Environment, Geology and Meteorology Centre (hereinafter – the Centre).

2. According to Section 23, Paragraph two of the Law on Subterranean Depths, the licensee shall submit to the Centre data and information according to the schedule and these procedures.

2. Geological Information on Hydrocarbon Prospection, Exploration and Production Works Carried out Offshore or in Immovable Properties that Belong to the State

2.1. Geophysical studies

3. Within 60 days after the completion of geophysical studies, the following data, samples and reports broken down by individual types of works shall be submitted:

3.1. on seismic surveys:

3.1.1. primary seismic records in SEG Y format (Society of Exploration Geophysicists Y format) and respective field observation documentation;

3.1.2. stacked and migrated sections from pre-processing in SEG Y format;

3.1.3. stacked and migrated sections from final processing in SEG Y format.

Three-dimensional (3D) survey results – as digital data, which include a 3D seismic cube;

3.1.4. digital data of results of any other special processing;

3.1.5. results of re-processing of data;

3.1.6. printouts of final stacked and migrated seismic sections, printouts of other results of special processing and reprocessing;

3.1.7. navigation data in UKOOA format (U. K. Offshore Operators Association format);

3.1.8. a map of seismic excitation points (for 3D surveys – 3D network map);

3.1.9. a report on acquisition of data prepared by the performer of the works, which contains information necessary for reprocessing;

3.1.10. data processing report prepared by the performer of the works;

3.2. on gravimetric and magnetometric surveys:

3.2.1. data of measurements and their processing results in digital format;

3.2.2. navigation data;

3.2.3. survey reports which contain information on methods of measurements, all relevant gravity and magnetic field maps, results and their interpretations.

4. The data carrier and the format of data shall be coordinated with the Centre.

2.2. Geochemical studies

5. Within 60 days after the completion of geochemical surveys, it is necessary to submit information on all studied substances, acquired data and information on their referencing to the map, as well as reports on geochemical surveys, which contain information about the precise location, survey methods and interpretation results.

2.3. Seabed and soil surveys

6. Within 60 days after the completion of seabed and soil surveys, it is necessary to submit the data, samples acquired in the course of the works and information on their referencing to the map, as well as reports that contain information on referencing of surveyed places, analytical methods, results and interpretation.

2.4. Drilling operations

7. Within 60 days after the completion of drilling operations, it is necessary to submit:

7.1. data and reports on monitoring and surveys in the well, including:

7.1.1. a report on parameters of drilling mud in the course of drilling;

7.1.2. digital logging data, as well as printouts on film and paper for each logged section;

7.1.3. cumulative, processed and interpreted digital logging data, as well as printouts on paper. Data processing and interpretation reports;

7.1.4. directional survey data;

7.1.5. vertical seismic profiling data, primary digital data and standard processing results, seismic wave velocity data;

7.2. the following samples (the samples should be delivered in a package ensuring their identification and storage for a long time):

7.2.1. samples of fragments of rock (unwashed, as well as washed and dried);

7.2.2. samples of drilling mud;

7.2.3. samples of drill core and side gripper of soil;

7.2.4. samples of the reservoir layer.

8. Within 120 days after completion of drilling operations, it is necessary to submit the following reports on surveys of well samples:

8.1. reports on any performed stratigraphic, sedimentic and paleontological studies;

8.2. descriptions of cores and colourful photos of cores;

8.3. results of measurements and analyses of core material;

8.4. qualitative and quantitative data of layer waters;

8.5. a report on pressure-volume-temperature ratios in produced hydrocarbons – a PVT report;

8.6. a report on potential native rock.

9. Within 60 days after the completion of experimental production activities, a report on primary data of experimental production and their processing results should be submitted. The report shall include the following information:

9.1. general information on the well, its name, plane co-ordinates in the Latvian Geodetic System LKS92TM (hereinafter – the LKS92TM co-ordinates) (if the licence (hereinafter – the licence) area of use of subterranean depths is located onshore) or

geographical co-ordinates of latitude and longitude in the World Geodetic System 1984 (hereinafter – the WGS84 co-ordinates) (if the licence area is located offshore);

9.2. primary data on pressure and temperature changes in the well and on the surface, data about the separator, size of the wellhead, production in a unit of time and in total, as well as data on the percentage of oil and oil water in the produced amount of fluid during a day;

9.3. information on individual experimental production stages, including the type and ranges of perforation, as well as cleaning of wells and the use of stimulation of oil production;

9.4. other measured data and parameters, which were obtained during experimental production;

9.5. parameters calculated during the experimental production;

9.6. main curves and charts obtained and used to determine the optimum debit of wells.

10. Within 180 days after the drilling of a well is completed, it is necessary to submit the final geotechnical report. The report shall include the following information:

10.1. general information on the well, its name, the lane LKS92TM co-ordinates (if the licence area is located onshore) or the geographical WGS84 co-ordinates of latitude and longitude (if the licence area is located offshore);

10.2. the drilling installation, altitude of the wellhead above mean sea level, the performer of works, the schedule for activities, time consumption and well depth, specifying the geological age of rock in the bottom hole area, as well as sea depth, if the licence area is located offshore;

10.3. the description of the drilling process indicating technical problems and an evaluation thereof;

10.4. summary of geological information obtained in the course of drilling;

10.5. data on shells used and cementing of the well;

10.6. the description of completion of the well and its condition at the time of completion of the activities;

10.7. a joint geotechnical section of the well with well logs, the information about the design of the well, plugging, core sampling, test intervals, lithology and other data.

2.5. Submission of data and reports

11. During production activities, by tenth day of each month a report stating the volume of oil produced in the previous month should be submitted.

12. Within 180 days after the fulfilment of the minimum programme or an additional programme (if any) of hydrocarbon exploration activities and completion of any other surveys original of final reports with combined data referred to in Sub-Paragraphs 2.1, 2.2, 2.3 and 2.4 of this Annex shall be submitted. The report should include a geological characteristic of the part of the deposit located in the licence area (including geotechnical sections with analysing sampling places), information about analyses of samples, testing methodology and results, total and obtainable stock of hydrocarbons, a detailed calculation of the total and obtainable hydrocarbons (including stock calculation plans, parameters and their justification) and a description of the stock calculation methodology, as well as an economic assessment of the part of the deposit located in the licence area.

3. Geological Information on Hydrocarbon Prospection, Exploration and Production Activities in Immovable Properties not Belonging to the State

3.1. Geophysical surveys

13. Within 60 days after the completion of geophysical survey, the following data, samples and reports broken down by individual types of activities shall be submitted:

13.1. on seismic surveys:

13.1.1. primary seismic records in SEG Y format and respective field observation documentation;

13.1.2. stacked and migrated sections from pre-processing in SEG Y format;

13.1.3. stacked and migrated sections from final processing in SEG Y format.

Three-dimensional (3D) survey results – as digital data, which include a 3D seismic cube;

13.1.4. digital data of results of any other special processing;

13.1.5. printouts of final stacked and migrated seismic sections;

13.1.6. navigation data;

13.1.7. a map of seismic excitation points (for 3D surveys – 3D network map);

13.1.8. a report on acquisition of data prepared by the performer of the activities, which contains information necessary for reprocessing;

13.1.9. data processing report prepared by the performer of the activities;

13.2. on gravimetric and magnetometric surveys:

13.2.1. data of measurements in digital format;

13.2.2. navigation data;

13.2.3. survey reports, which contain information on methods of measurements, all relevant gravity and magnetic field maps and results.

14. The data carrier and the format of data shall be coordinated with the Centre.

3.2. Geochemical surveys

15. Within 60 days after the completion of geochemical surveys, it is necessary to submit information on all studied substances, acquired data and information on their referencing to the map, reports on geochemical surveys, which contain information about the precise location, survey methods and interpretation results.

3.3. Drilling operations

16. Within 60 days after the completion of drilling operations, it is necessary to submit:

16.1. data and reports on monitoring and surveys in the well, including:

16.1.1. a report on parameters of drilling mud in the course of drilling;

16.1.2. digital logging data, as well as printouts on film and paper for each logged section;

16.1.3. cumulative and processed digital logging data, as well as printouts on paper and data processing reports;

16.1.4. directional survey data;

16.1.5. vertical seismic profiling data, primary digital data and standard processing results, seismic wave velocity data;

16.2. the following samples (the samples should be delivered in a package ensuring their identification and storage for a long time):

16.2.1. samples of fragments of rock (unwashed, as well as washed and dried);

16.2.2. samples of drilling mud;

16.2.3. samples of drill core and side gripper of soil;

16.2.4. samples of the reservoir layer.

17. Within 120 days after the completion of drilling operations, it is necessary to submit reports on surveys of well samples:

17.1. reports on any performed stratigraphic, sedimentic and paleontological studies;

17.2. descriptions of cores and colourful photos of cores;

17.3. qualitative and quantitative data of layer waters;

17.4. a report on the pressure-volume-temperature ratios in produced hydrocarbons – the PVT report;

17.5. a report on potential native rock.

18. Within 60 days after the completion of experimental production activities, a report on primary data of experimental production and their processing results should be submitted. The report shall include the following information:

18.1. general information on the well, its name, plane LKS92TM co-ordinates;

18.2. primary data on pressure and temperature changes in the well and on the surface, data about the separator, size of the wellhead, production in a unit of time and in total, as well as data on the percentage of oil and oil water in the produced amount of fluid during a day;

18.3. information about individual experimental production stages, including the type and ranges of perforation, as well as cleaning of wells and the use of stimulation of oil production;

18.4. other measured data and parameters, which were obtained during experimental production;

18.5. parameters calculated during the experimental production;

18.6. main curves and charts obtained and used to determine the optimum debit of wells.

19. Within 180 days after the drilling of a well is completed, it is necessary to submit the final geotechnical report. The report shall include the following information:

19.1. general information on the well, its name, plane LKS92TM co-ordinates;

19.2. the drilling installation, altitude of the wellhead above mean sea level, the schedule for activities and well depth, specifying the geological age of rock in the bottom hole area;

19.3. the description of the drilling process indicating technical problems and an evaluation thereof;

19.4. summary of geological information obtained in the course of drilling;

19.5. data about shells used and cementing of the well;

19.6. the description of completion of the well drilling and its condition at the time when the activities are completed;

19.7. a joint geotechnical section of the well with well logs, the information about the design of the well, plugging, core sampling, test intervals, lithology and other data.

3.4. Submission of Data and Reports

20. During extraction activities, by tenth day of each month a report in which the volume of hydrocarbons produced in the previous month should be submitted.

21. Within 180 days after the fulfilment of the minimum programme or the additional programme (if any) of hydrocarbon exploration activities and completion of any other surveys, originals of final reports with combined data referred to in Sub-Paragraphs 3.1, 3.2 and 3.3 of this Annex shall be submitted. The report should include a geological characteristic

of the part of the deposit located in the licence area (including geotechnical sections with analysing sampling places), information about analyses of samples, testing methodology and results, total and obtainable stock of hydrocarbons, a detailed calculation of the total and obtainable hydrocarbons (including stock calculation plans, parameters and their justification) and a description of the stock calculation methodology.

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3.2.2. the method how the seismic activities are performed technically (use of 2D (two-dimensional), 3D (three-dimensional) or 4D (four-dimensional) method)

3.2.3. processing and interpretation of seismic data

3.2.4. the acquisition method for gravimetric and geochemical or other data

3.2.5. general geological characteristics of the territory

3.2.6. description of wells for exploration activities (geotechnical section of planned wells and description (number, depth of wells)), if appropriate;

3.2.7. programme for the evaluation of the technical condition of an existing borehole in order to determine possibilities for its further use in the exploration and production of hydrocarbons if the applicant intends to use the existing borehole, or a programme for the liquidation (closing) of the existing borehole in accordance with the environmental protection requirements

3.2.8. amount and costs of the exploration activities in euro by separate types of activities

3.3. a document certifying that the applicant complies with Regulation (EC) No 761/2001 of the European Parliament and of the Council of 19 March 2001 allowing voluntary participation by an organisation in a Community eco-management and audit scheme (EMAS) or the standard LVS EN ISO 14001:2005/AC:2009, Environmental management systems – Requirements with guidance for use (ISO 14001:2004/Cor 1:2009) p. _____

3.4. written certification of the owner of the immovable property on choosing the applicant for receiving a licence for the exploration and production of hydrocarbons p. _____

(date*)

(submitter's name, surname, signature*)

Note. * Document properties “signature” and “date” are not completed, if the electronic document has been prepared in accordance with the laws and regulation regarding the drawing up of electronic documents.

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