

Unofficial translation

**RULES**  
governing the granting of licenses to prospect for hydrocarbons,  
No. 553, 18 July 2001

**CHAPTER I**  
**Scope and definitions**

Art. 1

*Scope*

These Rules cover the granting of licenses to prospect for hydrocarbons within Icelandic territorial waters and economic zone and on the Icelandic continental shelf in accordance with Act no. 13/2001 on prospecting, exploration and production of hydrocarbons.

Prospecting according to these Rules is also subject to other laws and regulations which apply to prospecting for hydrocarbons.

Art. 2

*Definitions*

In these Rules prospecting means investigating general conditions for the formation and conservation of hydrocarbons, delimiting areas where such conditions are favourable and searching for hydrocarbon accumulations by measurements from air, land, sea or the seafloor or by taking samples from the seabed top strata, e.g. with shallow drilling or taking cores.

**CHAPTER II**

**Application for a license to prospect for hydrocarbons**

Art. 3

*Prospecting license*

The Minister of Industry issues licenses to prospect for hydrocarbons for the purpose of exploration and production.

Prior to issuing a prospecting license, the Minister of Industry shall consult the Ministry of Fisheries and the Ministry for the Environment.

Art. 4

*Application*

An application for a prospecting license shall be submitted to the Ministry of Industry and shall present in a clear manner:

1. The name of the applicant or applicants, if there are co-applicants, address and nationality.
2. The boundaries of the area for which a license is being sought.
3. The purpose of obtaining a license.
4. A detailed explanation of the applicant's intended activities.

The Ministry of Industry may request information in addition to that mentioned in Para. 1.

## Art. 5

*License area*

The area to which a license applies shall be designated in the license.

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

## Art. 6

*Scope of license*

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

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

The Ministry of Industry may upon a licensee's request permit other types of survey.

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

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

## Art. 7

*License period*

A license shall be granted for a period of three years at a time unless a shorter license period is indicated in the license.

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

## Art. 8

*Fees*

Before an application for a prospecting license is taken under consideration, the applicant shall pay an application fee of ISK 100.000 to the State Treasury.

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

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

## CHAPTER III

### Inspection

#### Art. 9

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

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

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

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

## CHAPTER IV

### Duty of notification

#### Art. 10

#### *Notification of a planned prospecting survey*

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

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

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

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

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

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

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

## Art. 11

*Notification that a shipborne prospecting survey is about to begin*

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

A notification shall include the following:

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

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

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

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

## Art. 12

*Notification that an airborne prospecting survey is about to begin*

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

A notification shall include the following:

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

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

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

#### Art. 13

##### *Notification of arrival and departure from a survey area*

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

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

#### Art. 14

##### *Daily notification*

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

### CHAPTER V

#### **Reporting and submission of data**

##### Art. 15

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

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

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

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

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

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

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

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

## CHAPTER VI **Confidentiality**

### Art. 16

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

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

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

## CHAPTER VII **Environmental considerations**

### Art. 17

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

## CHAPTER VIII **Various provisions**

### Art. 18

#### *Revocation of a license*

The Minister of Industry may revoke a license granted in accordance with these Rules if its conditions are not satisfied. If a licensee does not comply with the conditions set out in a license, the Minister of Industry shall give him notice in writing and a deadline for providing a remedy. If a licensee does not respond to such a warning, the license shall be revoked.

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

Art. 19

*Transfer of a license*

A prospecting license granted in accordance with these Rules cannot be transferred to other parties, nor can it be placed as collateral for financial obligations without permission from the Minister of Industry.

Art. 20

*Punishments*

Violations of these Rules are subject to fines according to Art. 32 of Act no. 13/2001 on prospecting, exploration and production of hydrocarbons, unless subject to heavier punishments by other Acts. Fines may be imposed on both legal persons and natural persons for violations of these Rules. A legal person may be fined for violations of these Rules without regard to guilt being established on the part of a representative or employee of the legal person.

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*Entry into force*

These Rules, which are set on the basis of a permission in Art. 6 of Act no. 13/2001 on prospecting, exploration and production of hydrocarbons, enter into force immediately.

The Ministry of Industry, July 18 2001.

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