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UKCS

Mature or Frontier Basin

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UKCS Context

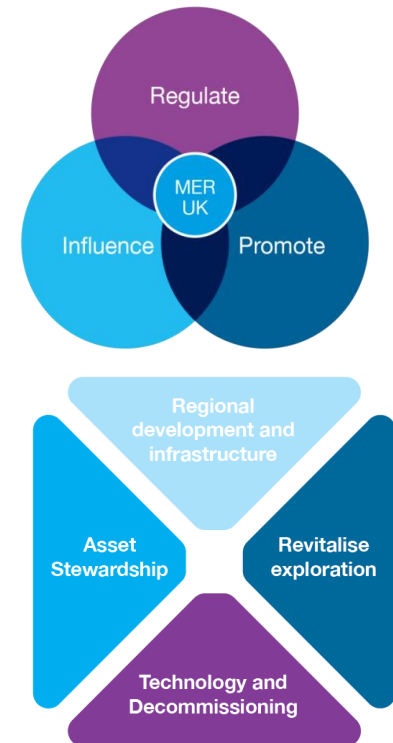
Story so far...

- 43 bnboe recovered
- Up to 20 bnboe remaining
- 1.6 mmboed in 2015
- £11.6bn capex in 2015
- £338bn production tax to date
- £35bn supply chain revenue pa

Current context

- Regarded as a mature basin
- Ageing infrastructure
- Diverse investors
- Low levels of exploration
- Reducing operating costs
- Improving production efficiency

About the OGA

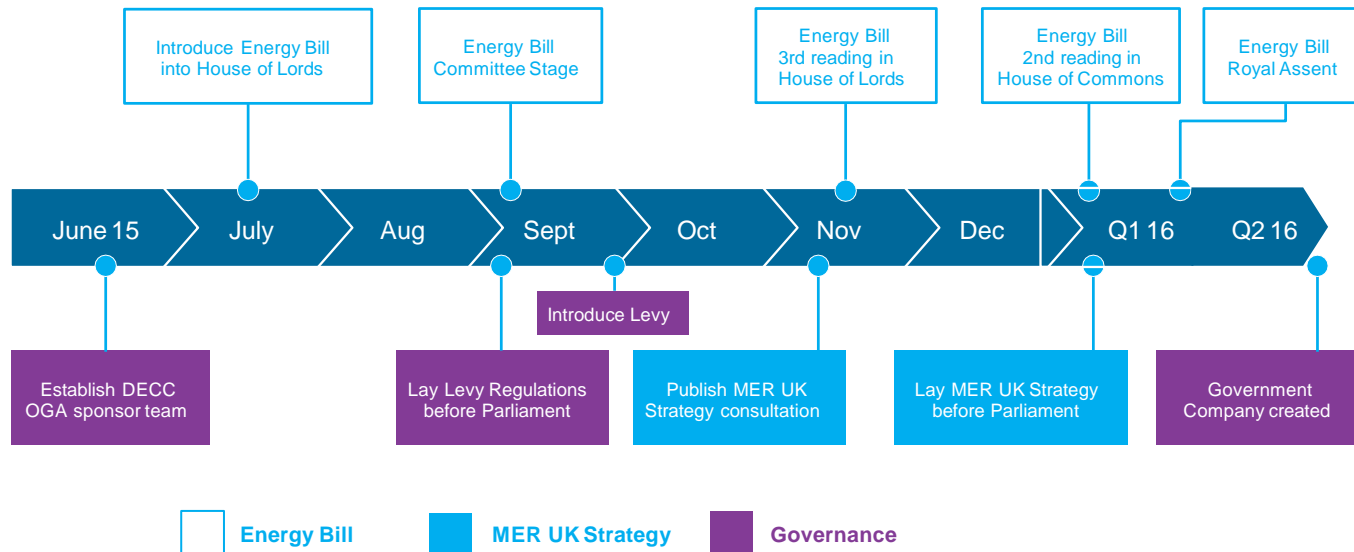
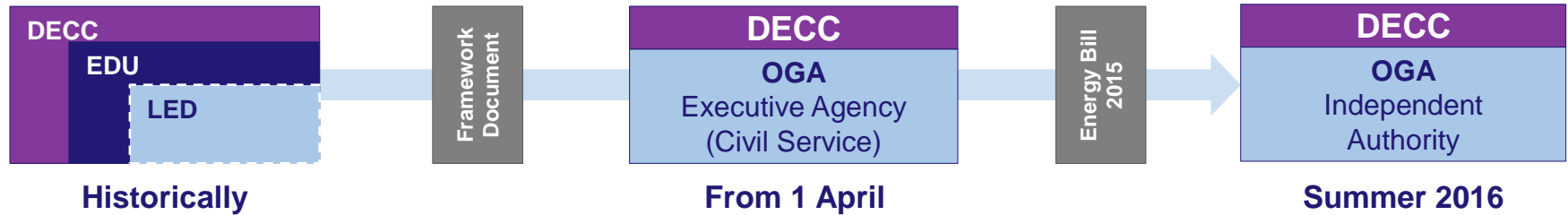


OGA focus is strategic and prioritized to MERUK



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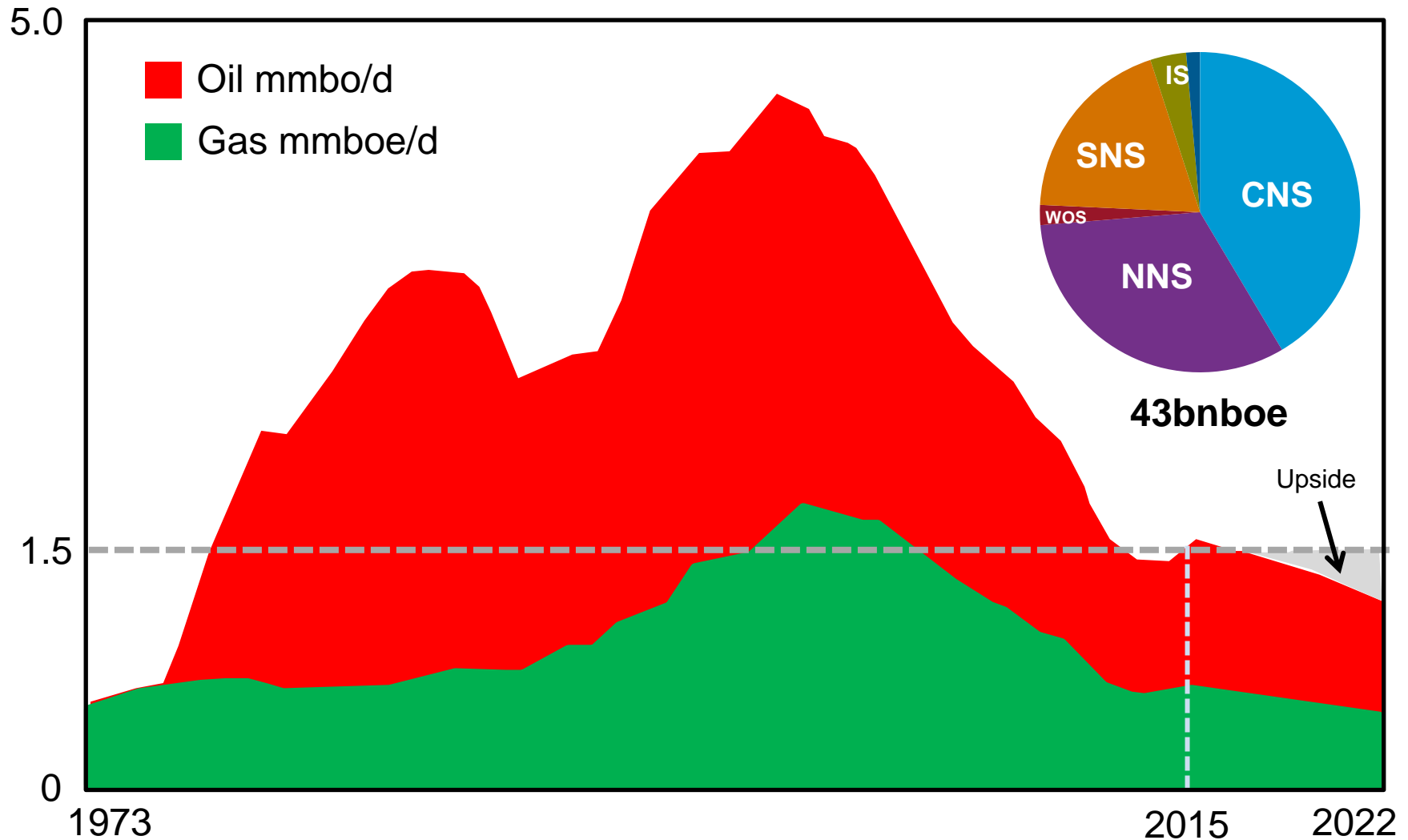
Building the OGA



Rapid progress on all fronts



Produced Reserves

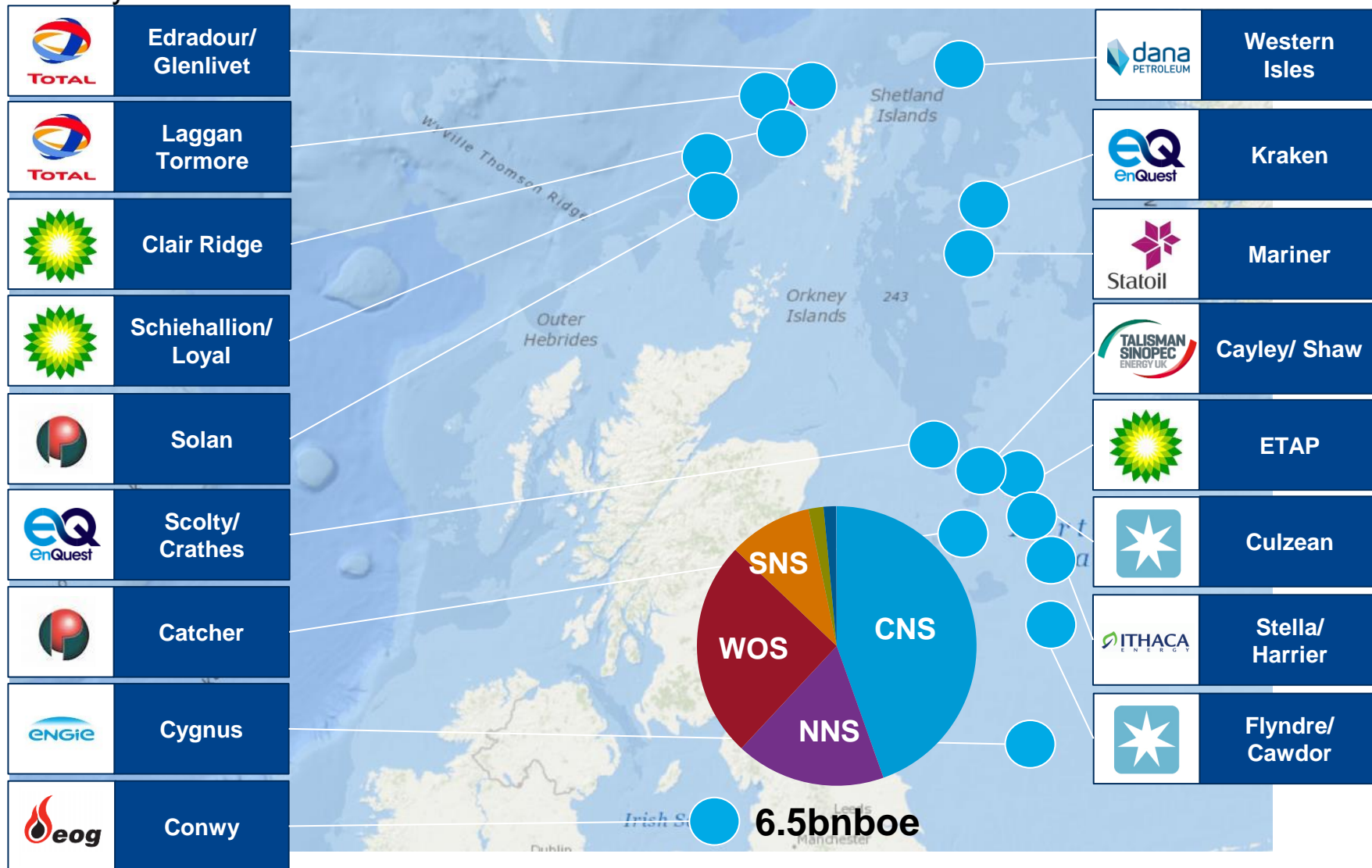


Production increased in 2015 due to new developments & improved PE



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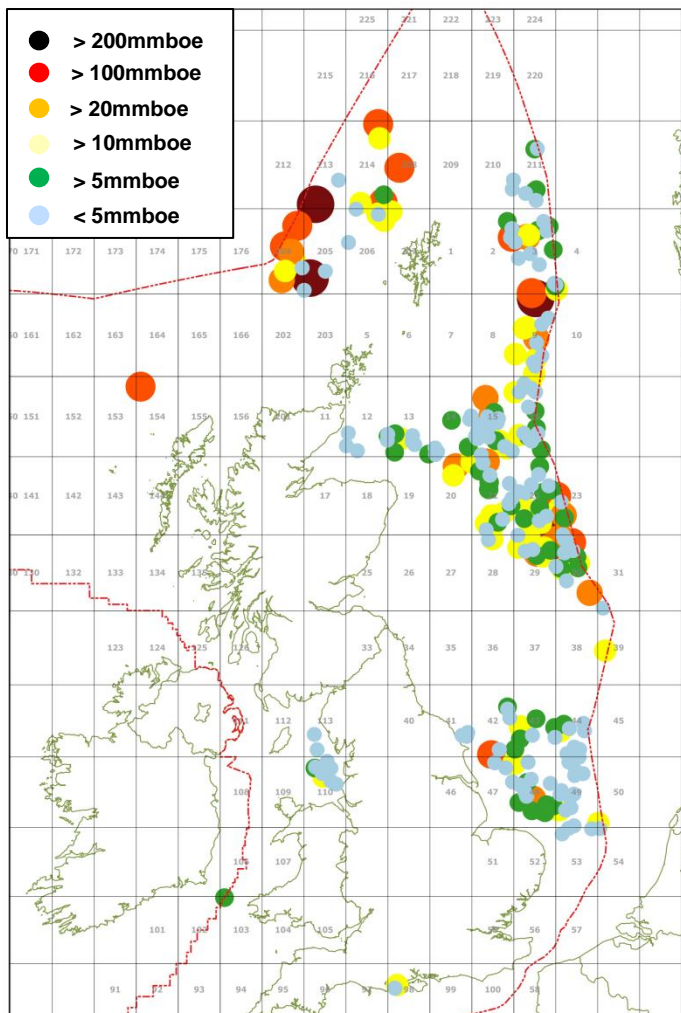
Developed & Sanctioned Reserves



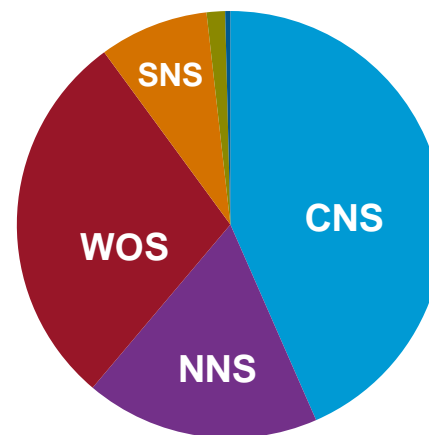
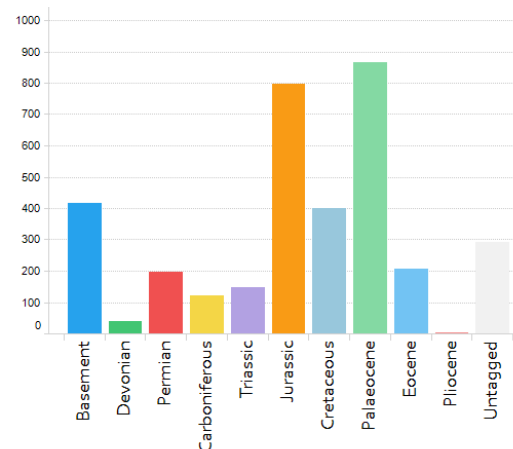
More than 300,000 boepd under development



Unsanctioned Resources



Fairway Undeveloped Resources (mmboe)



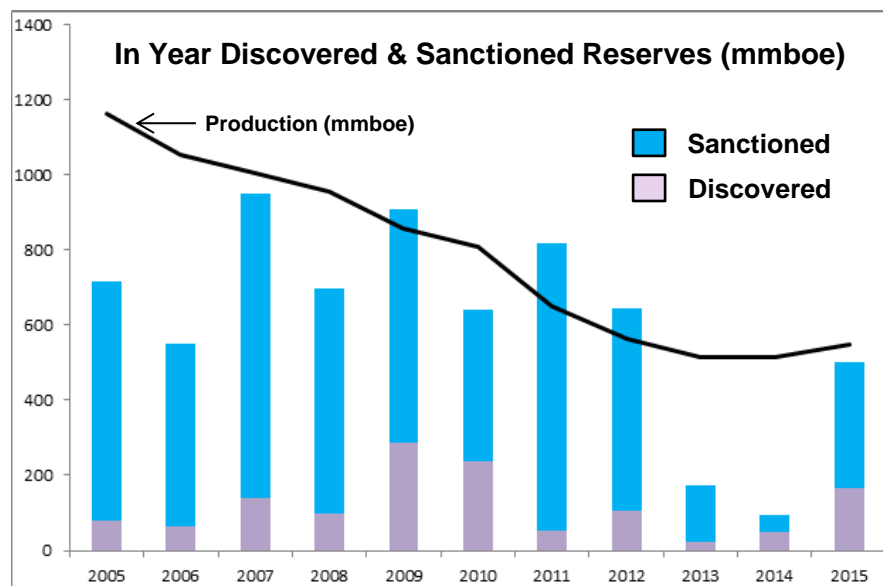
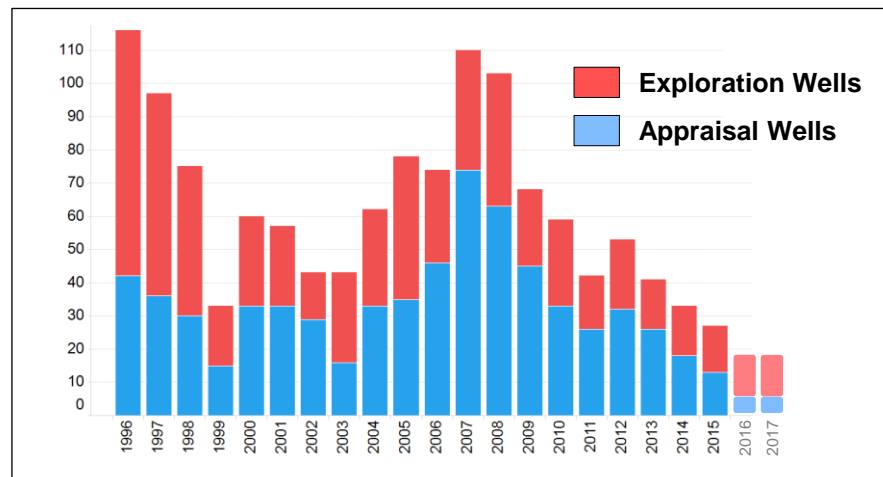
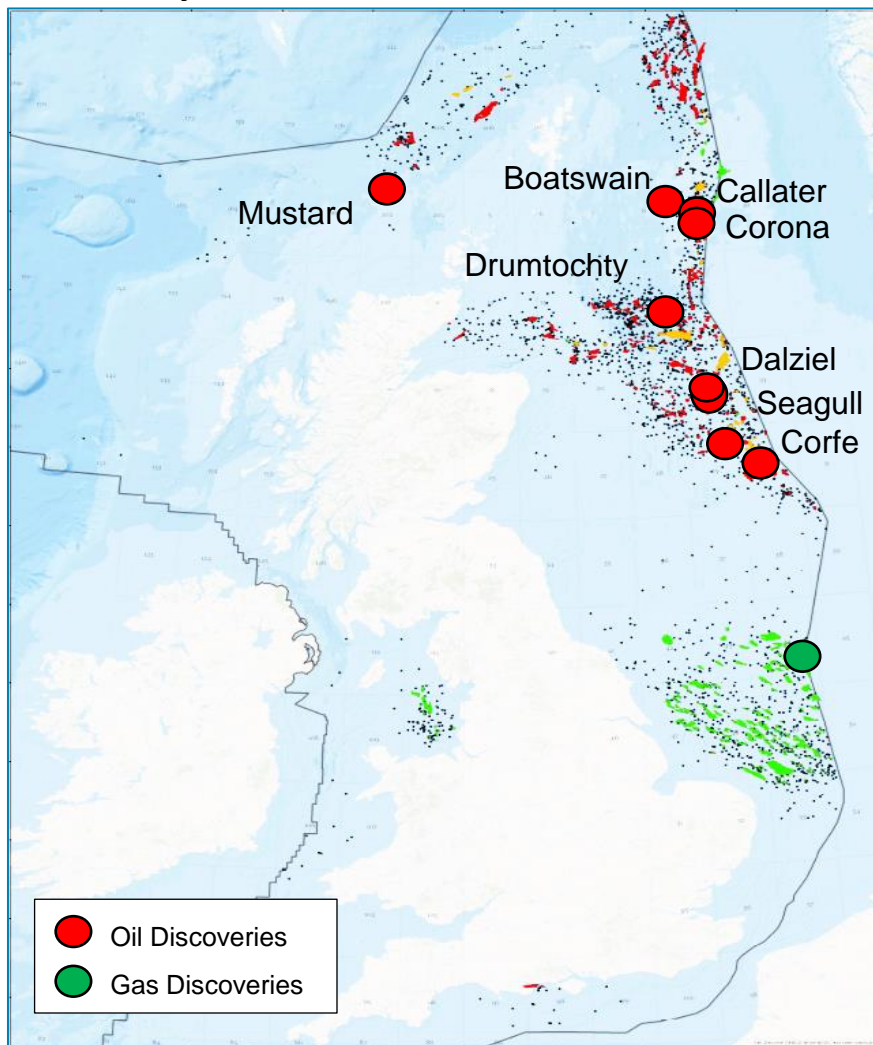
4.4 bnboe

Over 300 discoveries with potential of over 4 billion boe



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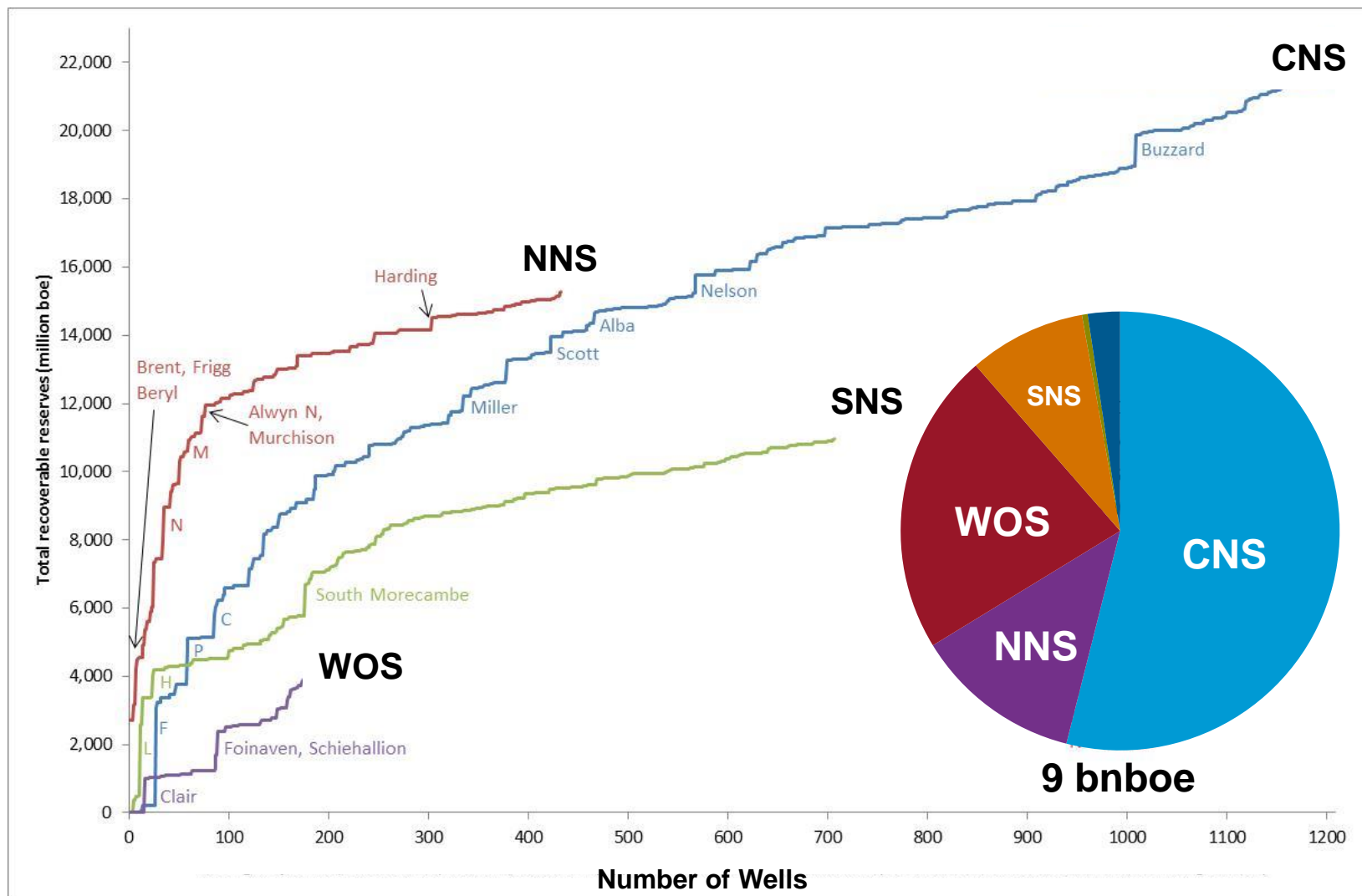
UKCS 2015 Discoveries



Technical Success Rate 60% with \$6/boe finding cost



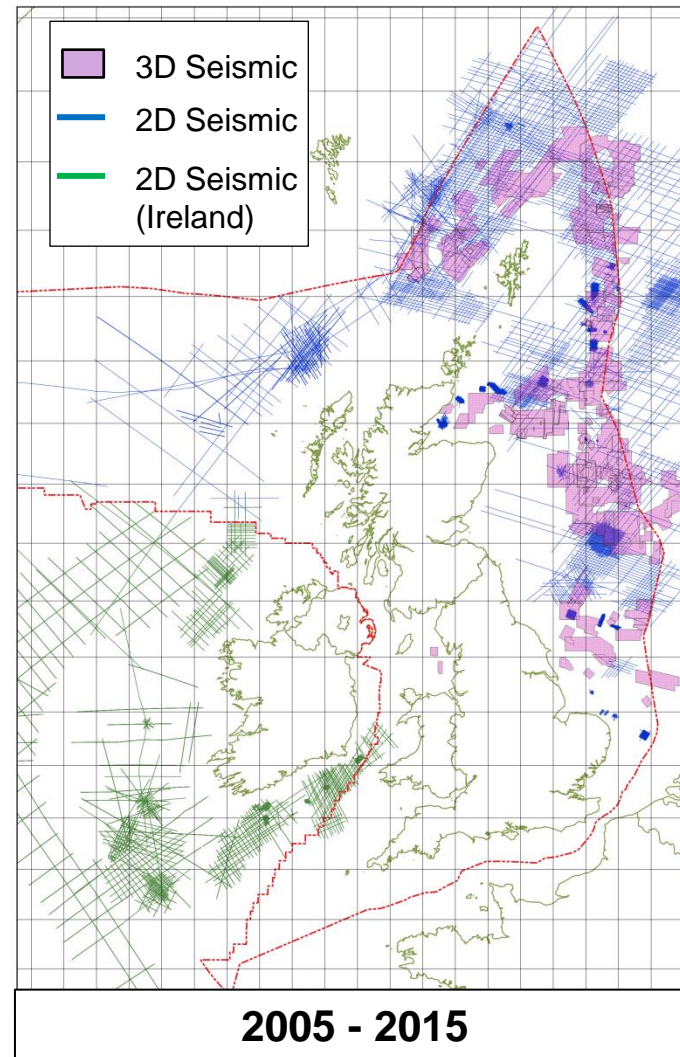
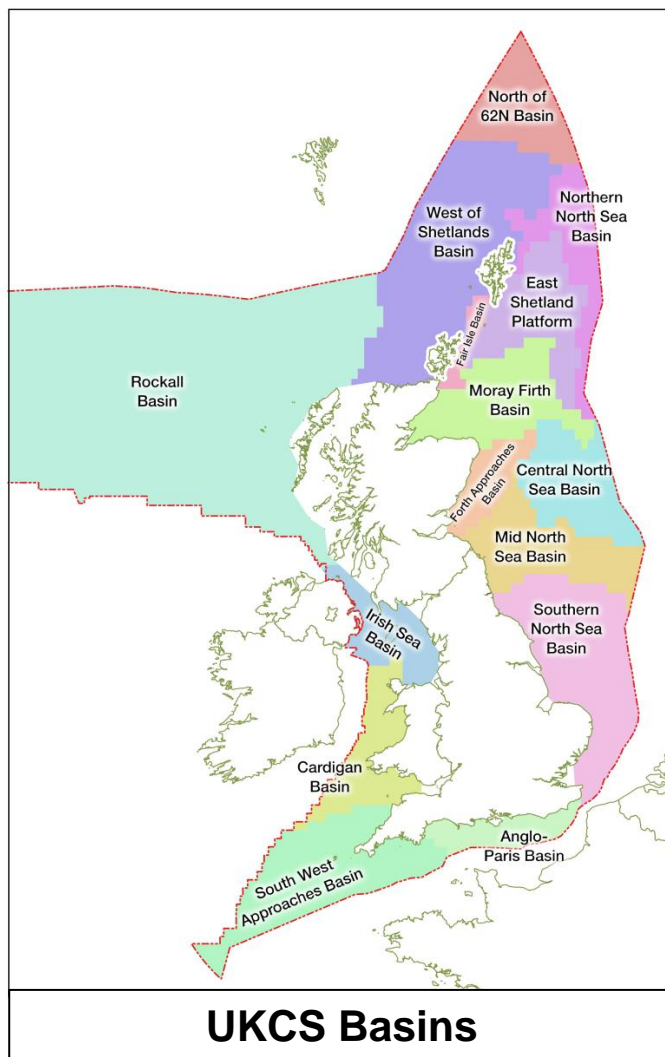
Mature Yet-to-Find



Significant additional potential in mature areas



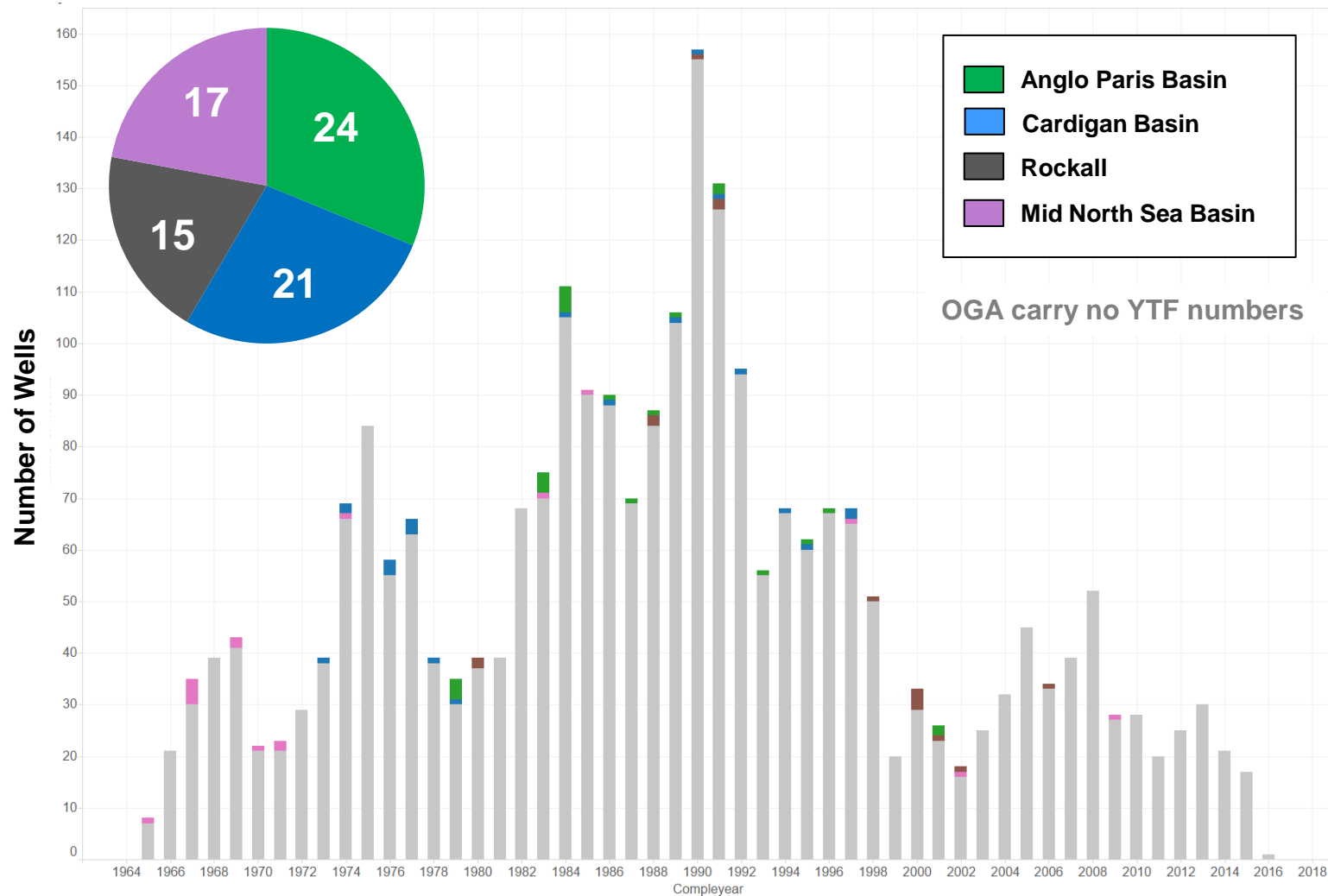
Recent Seismic Acquisition



Limited frontier seismic acquisition in UKCS



Exploration Drilling



Limited drilling in frontier areas especially last 10 years

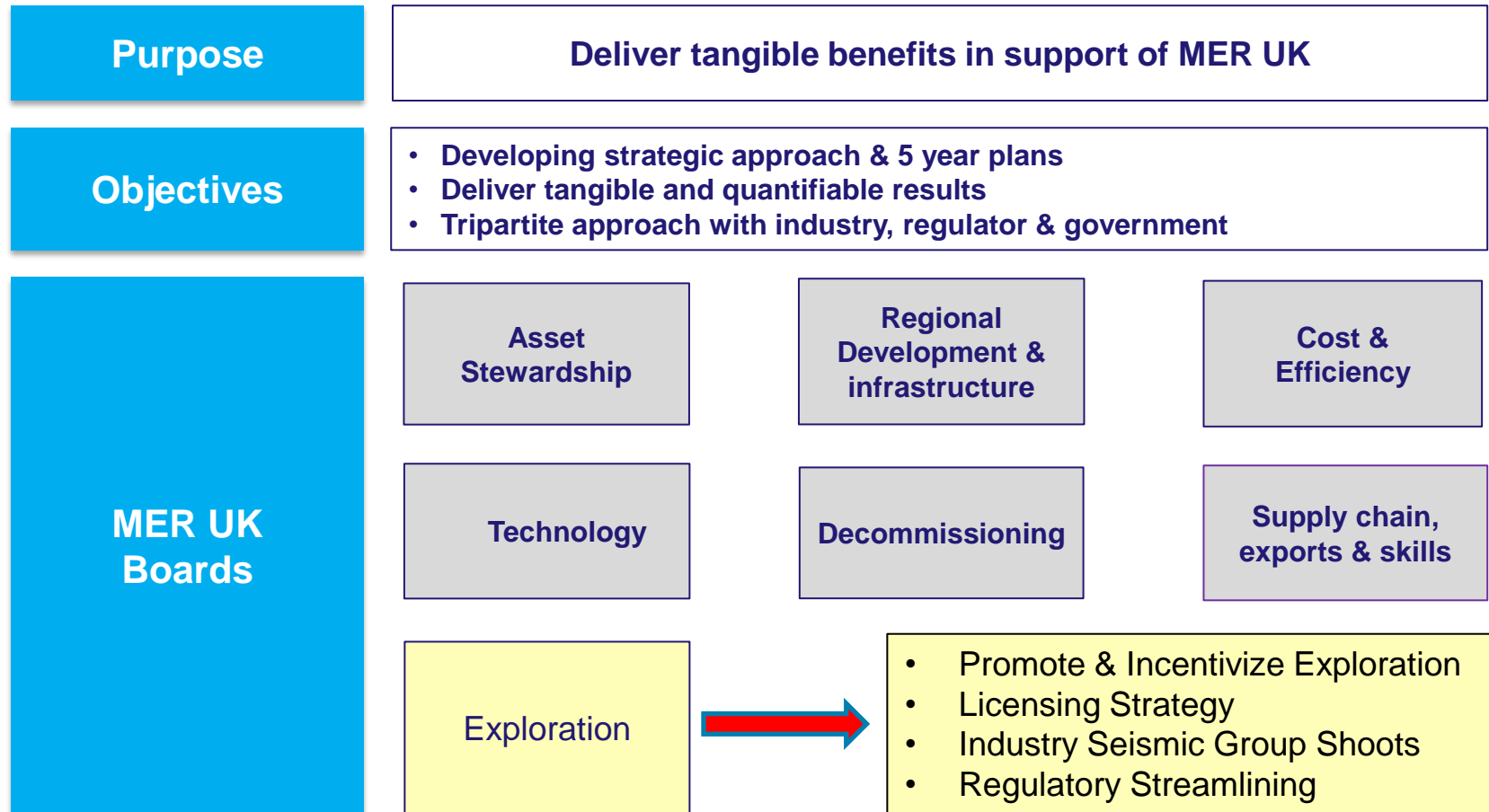
OGA Exploration Plan

Initiative	Action	Timing
Promote & Incentivize	Work with industry & government to promote & incentivize frontier & mature areas in UKCS	1H16
Exploration Board	Establish a MERUK Exploration Board with clear priorities and action plan	1H16
Exploration Strategy	Work with Exploration Board to develop and issue an exploration strategy	1H16
Seismic	Undertake 2015 & 2016 government sponsored programs release data, set up £1m competition & implement £0.7m 3D Visualization Centre	1H16
Offshore Licensing	Develop a flexible licensing strategy & launch 29th Round Ensure licence management is fit-for-purpose for all licence holders including Promote companies	2Q16
Well Analysis	Share lessons learnt with industry & introduce a process of rigorous post-drill evaluation with operators	2Q16
Prospect Inventory	Undertake pre-drill technical evaluation and work with companies prospect inventories to stimulate drilling	1H16
Regional Studies	Promote regional studies, working with industry & academia to improve geological understanding of UKCS frontier and mature areas	2Q16
Geological Maps	Provide high quality geology maps such as fairway maps integrating with neighbouring countries including Norway	4Q18
Yet-to-find (YTF)	Deliver significantly improved regional prosepctivity and YTF analysis	4Q18

Discuss
further

Target to double E & A well count by end 2020

MER UK Boards

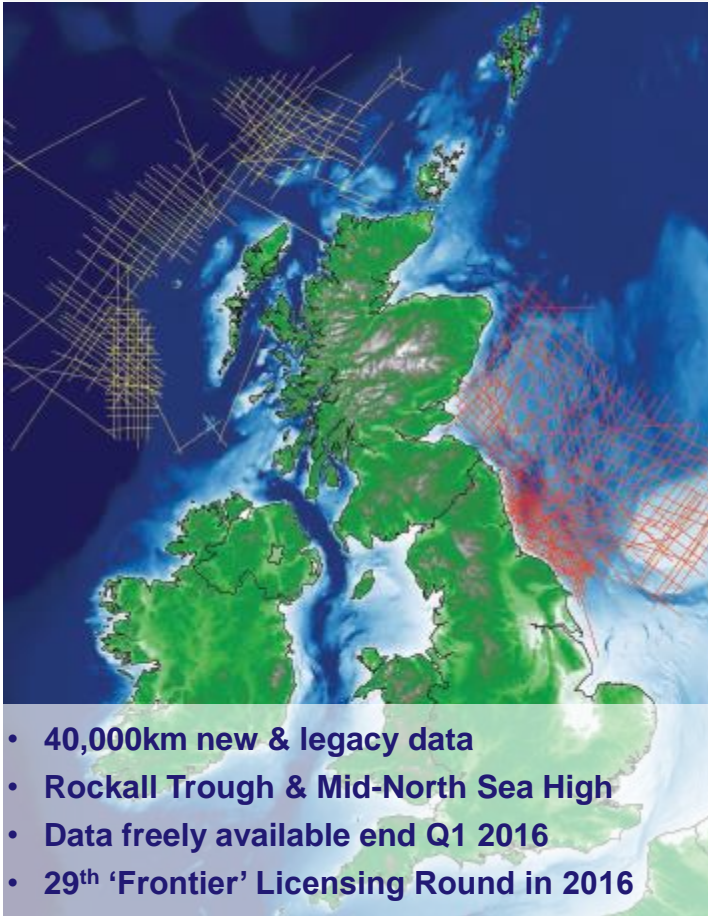


MERUK Meetings with Government, Industry & Regulator 3 x per year



Government Funded Exploration

2015 UK Government £20m funded seismic



2015 & 2016 Seismic Acquisition Programs

- £40m UK government funding seeking to promote underexplored areas of UKCS

OGA Competition to Define Potential

- £1m prize money shared between 2015 & 2016 for best project and interpretation

New World-Class Visualization Facility

- £700,000 funding Lyell Centre in Edinburgh which is a JV between BGS and Herriot Watt University

Post-Doctoral Appointments

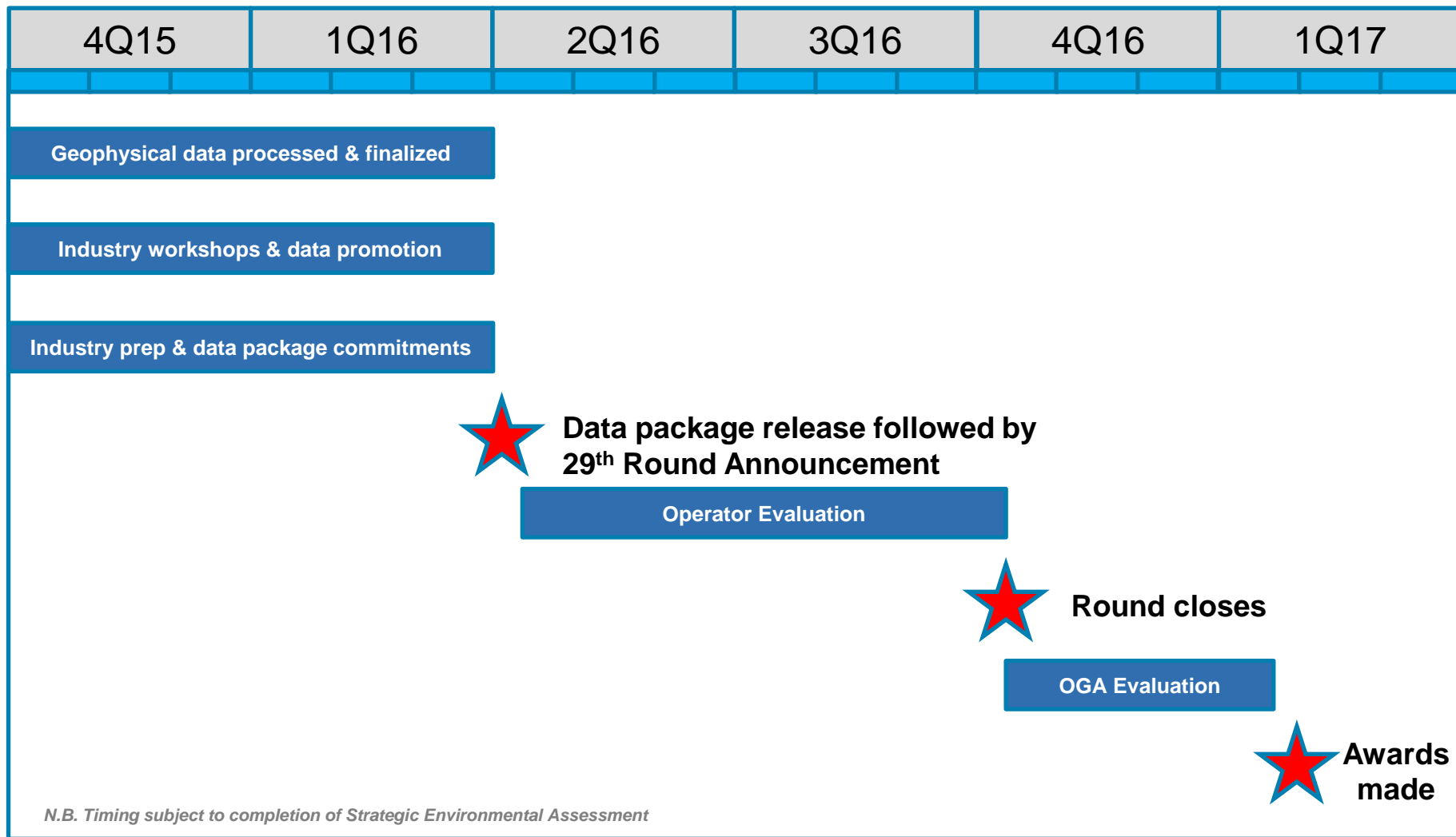
- £500,000 for two post-doctoral appointments in geoscience and reservoir engineering

Over £40m government funding in last 2 years plus support to academia



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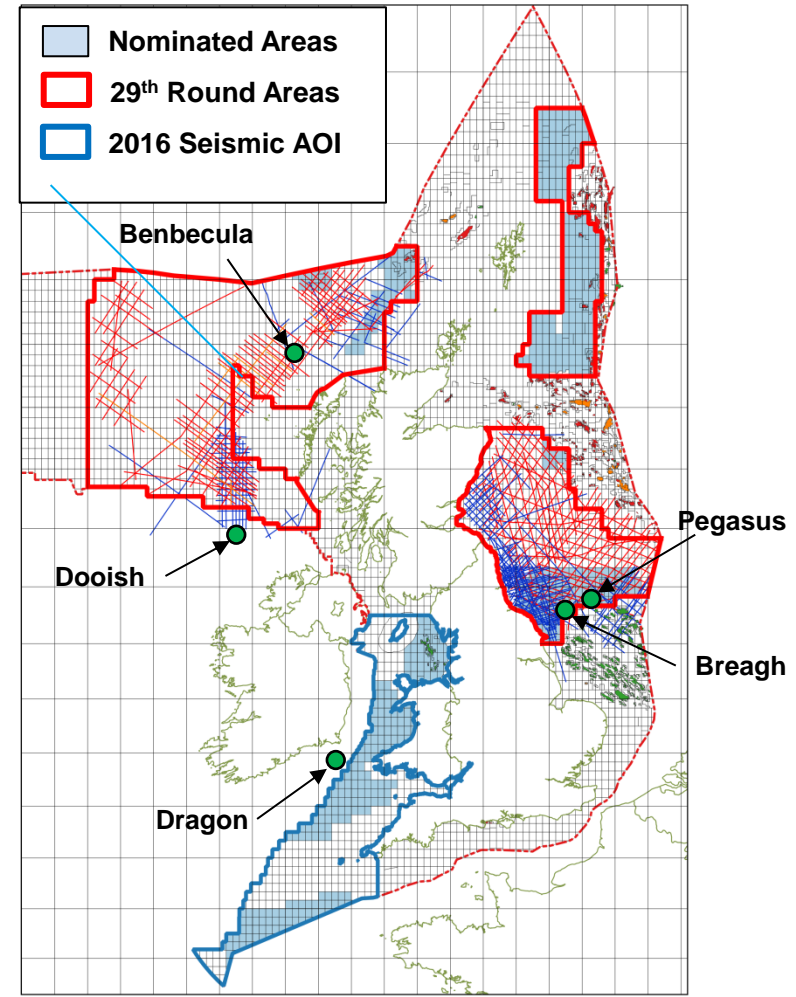
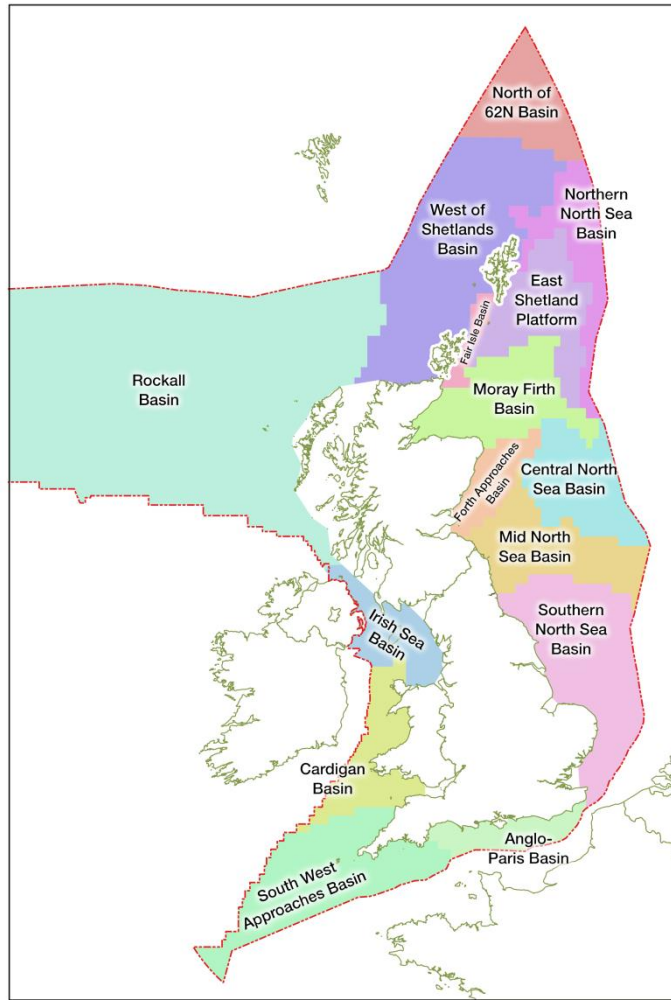
29th Licensing Round



29th Round will focus on under-explored areas



2016 License Areas & Seismic



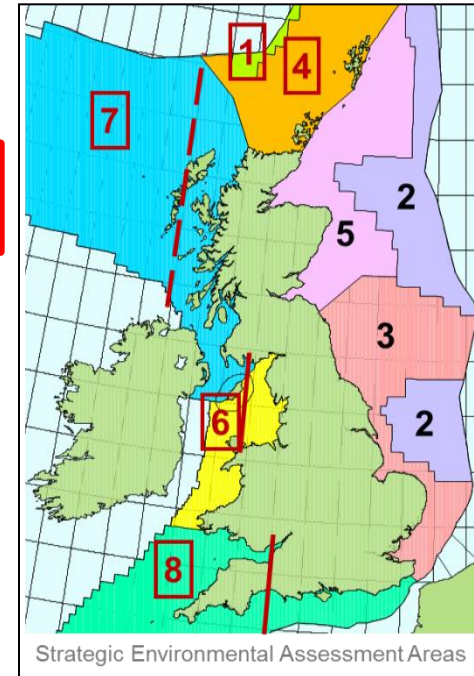
Subject to completion of Strategic Environmental Assessment

Focus on under-explored frontier areas with additional scope 2016 seismic



Current Licence Types

Licence Type	Traditional	Promote	Frontier	Frontier
Exploration (First Term)	4 years	4 years	6 years	9 years
Development (Second Term)	4 years	4 years	6 years	6 years
Production (Third Term)	18 years	18 years	18 years	18 years
Area (SEA)	Any	2,3,5 & 6	1, 4, 6 West, 7, 8 West	SEA 7 west of 7° W



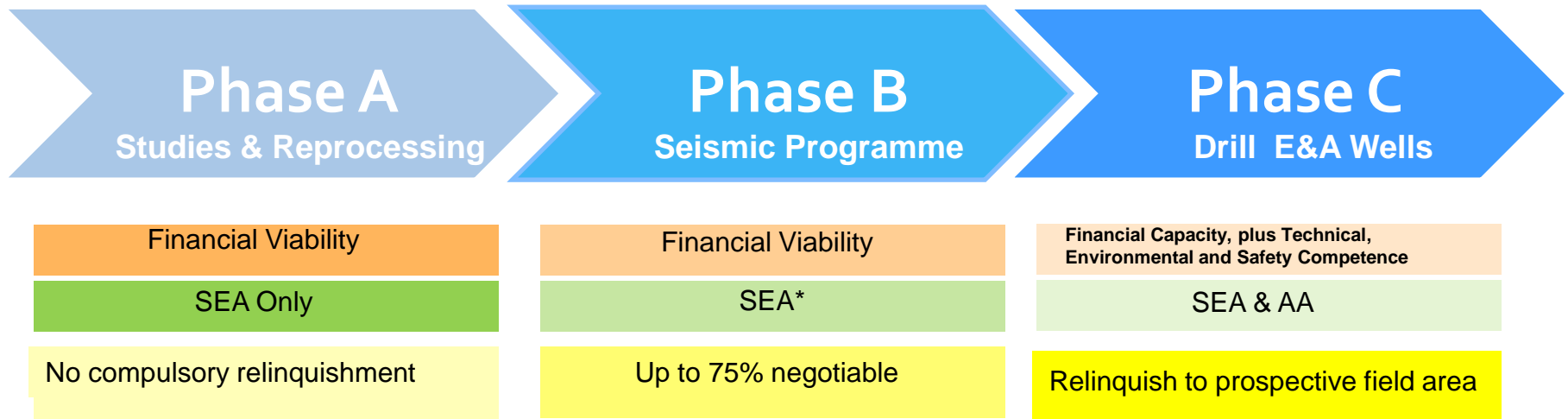
Exploration Licence Issues

- Complex area distribution with unclear definitions e.g. Frontier v Promote
- Promote licences limited time available to secure funding
- Licence requires Appropriate Assessment (AA) can result in award delay

Diverse industry task group established to develop new approach

Innovate Exploration Licence

Period up to a maximum of 9 years



* AA in some areas

Innovative Exploration Licence Advantages

- Applies to any offshore area with licence & phase duration determined by bidder
- 10 blocks with each Innovate Exploration License & maximum 4 licences per round
- Updated scoring system take into account new licence framework & collaboration

Innovate exploration license offers a flexible & pragmatic approach

Key Messages

- OGA working closely with Industry & Government to revitalize exploration
- Considerable potential remains in both mature and frontier areas of UKCS North Sea
- Government seismic programme & associated studies aimed at unlocking frontier potential
- Challenge on industry to increase seismic coverage & exploration drilling in UKCS

The UKCS North Sea has both mature and frontier potential