



10th November 2006

Mr Tom Felle
Ireland on Sunday
3rd Floor, Embassy House,
Herbert Park Lane, Ballsbridge,
Dublin 4
Co.Dublin
Ireland

Ref: FOI/0067/2006

Dear Mr Felle,

I refer to your request under the Freedom of Information Act concerning correspondence in relation to the granting of licences to 4 companies to carry out exploration work in the Slyne, Erris and Donegal basins. This request was received in the FOI Unit on the 28/08/2006.

I have made a final decision to part-grant your request. If you have any queries regarding this correspondence you can contact me by telephone at the number below. A schedule of the records covered by your request is attached.

I wish to acknowledge receipt of € 42.26 for search and retrieval and copying.

I wish to advise you that, if for any reason you are not satisfied with the outcome of your request, you are entitled to seek a review of the case by appealing the decision to this Department's FOI Internal Review Board. To appeal, you need to write to Frank O'Brien, FOI Unit, Department of Communications, Marine and Natural Resources, Elm House, Cavan. You must make your appeal within 4 weeks of the date of this letter, but the making of a late appeal may be permitted in appropriate circumstances. The appeal will involve a complete reconsideration of the matter by a more senior member of the staff of this Department.

Please note that an application fee for an appeal is currently €75.00 and a reduced fee of €25.00 applies if you are covered by a Medical Card.

If claiming a reduced application fee, the request must also be accompanied by

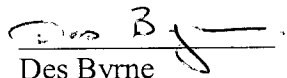
- The Medical Card registration number
- The name of the issuing Health Board
- Your consent to the verification of these details with that Health Board.

Payment should be made by way of bank draft, money postal order, or personal cheque made payable to "The Department of Communications, Marine & Natural Resources".

On receipt of the fee, an acknowledgement letter will be sent to you outlining details of when you can expect a decision on your appeal, and the contact details of the person handling the appeal.

If I can be of any additional help to you please, do not hesitate to contact me at the above address.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Des Byrne", written over a horizontal line.

Des Byrne
Petroleum Affairs Division

Schedule of Records requested

Record(s) Requested: Copies of any letters of canvas/support received by the Department from serving or former members of the Oireachtas in relation to the Minister's recent announcement that he was awarding licences to four companies to carry out exploration work off the Slyne, Erris and Donegal basins, should they exist

Records attached(TABS 1&2): Copies of letters from Senator Jim Higgins, MEP and Mary Coughlan, TD.

Record(s) Requested: Copies of letters of canvas/support received by the Department from any foreign embassy or representative of any foreign government in relation to the granting of the licences, should they exist

No such records exists

Record(s) Requested: A copy of the final recommendations made by Department officials to the Minister in relation to the granting of the licences

Records attached(TAB 3): Submission to the Minister



SENATOR JIM HIGGINS MEP

Mayo Constituency

Tel. Nos. 01-6183109

01-6183764

Fax No. 01-6184582

E-mail: jim.higgins@oireachtas.ie

25th May, 2006

Mr. Noel Dempsey TD,
Minister for Communications, Marine & Natural Resources,
Department of Communications, Marine & Natural Resources,
29-31 Adelaide Road,
Dublin 2.

Dear Minister,

I've been approached by John McBrearty who is a Director and shareholder in Grianan Energy Ltd., Ardmore, Muff, Co. Donegal with a further office address at Unit 3, Applewood Village, Swords, Co. Dublin. Mr. McBrearty and his fellow Directors have made an application to your Department under the new licensing round for the Slyne, Erris and Donegal basins. The company is the only Irish owned capitalised and managed company to submit an application. They have negotiated a Mezzanine Finance agreement of €200m. You will also note that the company is prepared to return 10% of the gross profits from oil and gas production to establish a fund to address deficits in infrastructure/health care/education in the North West.

The reason Mr. McBrearty has contacted me is to seek a meeting with officials in your Department to explain their submission and application further. I would appreciate if it would be possible to advise if such a meeting can be arranged in the near future.

Yours sincerely,

Jim Higgins

SENATOR JIM HIGGINS MEP

Encls./

Department of Communications
Marine & Natural Resources

29 MAY 2006

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Oifig an Aire

le gael ★
negael.ie

SSELS

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Seanad Éireann
Leinster House
Kildare Street
Dublin 2

Seanad Éireann
Teach Laighean
Sráid Chilli Dara
Baile Átha Cliath 2

Office of the Minister for Agriculture and Food, Dublin 2.

Oifig an Aire Talmhaíochta agus Bia, Baile Átha Cliath 2.



10 August 2006

Mr Noel Dempsey TD
Minister for Communications, Marine
and Natural Resources
Leeson Lane
Dublin 2

**Re: Mr Mark Turner, Director of Operations and Finance, Grianan Energy,
Donegal Ltd**

Dear Noel

The above named met me recently and advised of work that they are interested in carrying out from an exploratory point of view.

They have applied for some of the licensing blocks that are presently out for tender. I would appreciate it greatly if you would please advise of the outcome of their application.

Kindest regards.

Yours sincerely

Handwritten signature of Mary Coughlan TD.

Mary Coughlan TD
Minister for Agriculture & Food

Mr. Ó hÓbáin

Mr. Brennan

Secretary General

Aire

Background

The Slyne/Erris/Donegal Licensing Round was announced in January 2005 with a closing date of 15th March 2006. The area on offer comprised 73 full blocks and 31 part blocks, amounting to 25,000 square kilometres. The lead time was considered necessary in order to fit in with the planning and preparation of exploration budgets by the industry. A similar approach was taken in the North East Rockall Round. The area was selected on the basis that its exploration would be attractive to the industry, as it stretched from south of the Corrib Field to the area around the Dooish well in the north.

Applications received

A total of five applications were received for Frontier Exploration Licences under the licensing round. The Minister announced the names of the applicants on 23 March as:

1. Statoil Exploration (Ireland) Limited with Shell E. & P, Ireland Limited as a partner
2. Serica Energy (UK) Ltd.
3. Island Oil & Gas plc with Lundin Exploration BV and Endeavour Energy (UK) Ltd. as partners. (Endeavour BV later withdrew as a party to one of the applications.)
4. Island Oil & Gas plc with Lundin Exploration BV and Endeavour Energy (UK) Ltd as partners
5. Grianan Energy Ltd.

On examination, there were no conflicts between the applications in terms of the areas applied for, apart from Grianan Energy Limited which applied for the entire area on offer.

The application from Grianan Energy was not considered as a valid application on a number of grounds. Under the Department's licensing terms the criteria for considering applications includes: (i) the work programme proposed by the applicant; and (ii) the technical competence and offshore experience of the applicant. No work programme was provided, nor was the necessary technical competence or offshore experience demonstrated. In addition the Grianan Energy application did not comply with a fundamental element of the specific terms for the round relating to the area of the licence application. The licensing round opened up an area comprising a total of 73 full and 31 part blocks to applicants. The terms specified that licence applications "should comprise areas that are equivalent to not less than one

and not more than three complete blocks within the area". Grianan Energy submitted one application for the entire area on offer i.e. 73 full and 31 part blocks. Accordingly, the application from Grianan Energy could not be considered a valid application.

Recommendation

On consideration it is recommended that offers of Frontier Exploration Licences (FELs) be made to the following:

- A. **Island/Lundin/Endeavour (40%, 40%, 20%) – Endeavour have since withdrawn from this application, now revised to Island/Lundin only (50%, 50%)**
- B. **Island/Lundin/Endeavour (40%, 40%, 20%) – Endeavour are still a party to this application**
- C. **Serica (100%)**
- D. **Statoil/Shell (58.7%, 41.3%)**

Details of the blocks and work programmes offered are set out in Appendix I.

Recent development

For the record, PAD has been informally advised by both Statoil and Shell that they are close to agreeing a farm-out of part of their interests in Erris Basin licence 5/94. The companies were left exposed after the withdrawal of Murphy from the group last year; the existing 5/94 interests are Statoil: 58.7% and Shell: 41.3%. Back in March, the licensees were granted a six month Phase 3 extension (to 14 September) in order to secure a partner and to commit to a second exploration well (Cashel prospect). As a result, and subject to the agreement being finalised, Hess will acquire a 42% stake in the licence leaving Statoil with 39.5% and Shell with 18.5%. An adjunct to this is that Statoil and Shell, who hold an Area of Mutual Interest (AMI) over the neighbouring region (**including the blocks they applied for in the SED round**), agreed to extend the arrangement with Hess to cover any new licence awarded in the round. The main prospect in 5/94 also extends into the application area.

There is nothing unusual in a licensee farming out an interest in a newly awarded licence and it is expected that other applicants in this round will seek to do likewise. What is perhaps a little unusual here is that a deal has been negotiated before the licence was awarded. While it is a pity that the parties could not have come to an agreement earlier that would have allowed them to submit a joint application, the important thing is that the group will be considerably strengthened by the addition of Hess, and this is a very positive development. Since there is no overlap in the areas applied for in the 4 remaining applications and since the Minister's consent is required for material changes in the licences including subsequent farm-ins, PAD's view is that this development has no outcome or effect on the Statoil/Shell's S/E/D application.

It is recommended that we proceed with the licence award to Statoil and Shell, and deal with the new partner through the normal assignment route

post-award; to do otherwise could lead to lengthy delays in announcing the awards.

R. Boyd
July, 2006

Slyne/Erris/Donegal licensing round – proposed awards, work programmes and conditions

A. Island/Lundin/Endeavour (40%, 40%, 20%) – Endeavour have since withdrawn from this application, now revised to Island/Lundin only (50%, 50%)

Slyne Basin

2 full blocks and 2 part blocks: 27/17(E), 27/18, 27/22(E), 27/23 (equivalent to 3 full blocks)

Work programme for Phase I:

- Acquire a prospect-specific 300 sq km 3D seismic survey
- Reprocess a minimum of 200 km of 2D seismic over the licence area
- Rock property, seismic inversion, AVO modelling on reprocessed data
- Modelling of Sherwood Sandstone petrophysical properties in 27/5-1
- Review regional burial and thermal history models
- Study development options

Comments:

No 3D bid.

Recommendation:

Issue licence over blocks applied for, but work programme needs to be upgraded to include 3D seismic. This to be negotiated with Group prior to licence award.

Spatial/temporal restrictions arising from IOSEA1: none, other than the general ones*.

B. Island/Lundin/Endeavour (40%, 40%, 20%) – Endeavour are still a party to this application

Donegal Basin

6 part blocks: 13/4(S), 13/5(S), 13/9(E, NW), 13/13(N), 13/14(NW), 14/1(S) (equivalent to 3 full blocks)

Work programme for Phase I:

- 300 km of 2D seismic in 2006 – long offset (not laid out yet)
- Reprocess 464 km of 2D seismic over the licence area
- Rock property, seismic inversion, AVO modelling on reprocessed data
- Modelling of Sherwood Sandstone petrophysical properties in Inishbeg well
- New burial and thermal history models
- Study development options
- Feasibility study – gas export routes

Comments:

No 3D bid. Their view is that 3D seismic would basically slow them down – they want to fast-track drilling and there would be time issues with 3D seismic.

Recommendation:

Issue licence over blocks applied for, work programme as above.

Spatial/temporal restrictions arising from IOSEA1: Drilling restriction in the Malin Deep pockmark area (Blocks 13/4, 13/5, 14/1), pending further investigation and survey work. The exact requirements for this work to be discussed with the operator following award of the licence. Other restrictions: none, other than the general ones*.

C. Serica (100%)

Slyne Basin

2 full blocks and 1 part block: 27/4, 27/5(W), 27/9 (equivalent to 2 ½ full blocks)

Work programme for Phase I:

- Purchase existing 3D seismic dataset
- PreSDM reprocessing of 300 sq km of existing 3D seismic
- Assess range of in-place and recoverable reserves
- Engineering studies for well planning
- Purchase additional 2D seismic, gravity, aeromagnetic data
- Interpret 3D seismic and integrate with 2D seismic, gravity, aeromagnetic and well data to mature leads into drillable prospects
- Further G&G studies as required

Comments:

No 3D bid – area already covered by 3D.

Recommendation:

Issue licence over blocks applied for, work programme as above.
Spatial/temporal restrictions arising from IOSEA1: none, other than the general ones*.

D. Statoil/Shell (58.7%, 41.3%)

Erris Basin

2 full blocks and 1 part block: 19/9, 19/13, 19/17(P) (equivalent to c. 2 ¾ full blocks)

Work programme for Phase I:

- Shoot 1000 km of 2D seismic
- Shoot 700 sq km of 3D seismic contingent on Cashel being drilled – commercial success case
- Reprocess 800 km of existing 2D seismic

Comments:

No firm 3D bid – existing 3D covers c. 50% of blocks applied for.

Recommendation:

Issue licence over blocks applied for, work programme as above.
Spatial/temporal restrictions arising from IOSEA1: none, other than the general ones*.

PAD Technical Section

6 July 2006

*General conditions arising from IOSEA1 Report Recommendations relate to environmental area assessments (EAA), site survey procedures, exclusion zones, seismic surveys, herring spawning, best practice in cementing, anchor handling and drill fluid discharge, wellhead protection structures and fuel efficiency.

Endeavour

Engaged in the petroleum industry since 2004. Based in Houston Texas. Received nine production licences covering 18 Blocks in the UK 22nd Licensing Round in July 2004. In September the Norwegian Government gave the company pre-qualified status as a licensee on the Norwegian Continental Shelf.

Grianan Energy Limited

First venture in the industry and therefore an unknown quantity. Its success in other areas is not clear. Its application referred to a windmill in Donegal for electricity generation. The CER website has no record of permit for construction of such a facility or for the generation or supply of electricity. CER has been asked for clarification. Their application does not comply with the specifications in the Notice for the Round.

Island

Has an established and positive track record in Ireland. Currently involved in 1 Lease (Seven Heads), 5 exploration licences (3 Frontier – 2 as operator, 2 Standard – both as operator) and 2 Licensing Options.

Lundin

Relatively recent arrival in Ireland. Currently involved in 1 exploration licence (Frontier, as operator) and 1 Licensing Option.

Serica Energy

Formed by merger in January 2004. In September 2004 was awarded 5 exploration blocks in North Sea in 22nd UK Licensing Round and, in September 2005, was awarded a further 2 exploration blocks in UK 23rd Licensing Round. Also has exploration interests in Indonesia. Had market capitalisation of UK£142 million in February 06. Personnel includes former Enterprise Oil Exploration Manager for Ireland.

Shell

Established 'major'. Currently involved in 1 Lease (Corrib) and 4 exploration licences (all Frontier – 3 as operator) and 1 Reserved Area Licence (RAL) (as operator).

Statoil

Has long international standing and long positive track record in Ireland. Discovered oil in the Connemara Field in 1996, though it eventually proved non-commercial. Currently involved in 1 Lease (Corrib), 2 exploration licences (both Frontier – 1 as operator) and 1 Reserved Area Licence (RAL).