

Memo to : David Fox

Memo from: Michael J. Daly

RE. Review/Comparison of E & P terms for North West European countries.

As mentioned to you last Friday, the Minister of State, Mr. John Browne agreed on 3 December 2002 at a meeting with a SIPTU (1) delegation that he would have a review carried out of how Ireland's E & P terms compare with those of competing North West European countries—UK, Holland, France, Germany, Norway, Denmark and Faroes.

In this context and in view of your considerable knowledge of this area, perhaps you would put together a proposal summarising the particular and pertinent factors the proposed review/study should address. For example, it should cover prospectivity records/trends, nos. of exploration and appraisal wells, infrastructure availability? Exploration data availability and so on in addition to fiscal terms.

The SIPTU position is that Ireland plc gets almost nothing from its E & P terms compared to other countries and accordingly the State would be better off leaving the resource undeveloped for the present or reviewing and tightening its terms to deliver some form of national dividend.

Michael J. Daly.

(1) Services Industrial Professional Technical Union—Ireland's largest trade union.

Memorandum

To: Michael Daly

From: David Fox

Date: 15 January 2003

Subject: Comparison of NW European E & P Terms

I have a great deal of experience in evaluating and negotiating the fiscal and other aspects of E & P agreements around the world and, of particular relevance to this project, I have written and published 6 volumes comparing and critiquing the terms in 116 countries. Therefore, further to your request of 14 January, I am pleased to submit my proposal for the proposed review.

To be meaningful, the review should undertake evaluations similar to those made by oil companies when deciding where they should invest their exploration and development budgets. It will need to evaluate the return available to E & P companies, taking into account:

- the risk of failure,
- the costs of exploration, appraisal and development and
- the net income from production.

Input data should include:

- E & P terms available,
- exploration success statistics and
- the size and types (oil/gas/condensate) of fields.

I can generate cost estimates from my own experience and these will take into account the availability of data and infrastructure.

I estimate that the work would take 10-12 days of my time. If the necessary information on terms, success statistics, etc. is not available in the public domain or from PAD's records, it may be necessary to obtain it from Wood Mackenzie, IHS or a similar source.