

Submission Cover Sheet

Title: Frontier Exploration Licensing Round in the Porcupine Basin

Summary/Recommendation

Agreement of the Minister to the announcement that a new Frontier Exploration Licensing Round in the Porcupine Basin will be commenced in October with a closing date for applications in the second quarter of 2007.

Minister's Signature

A handwritten signature in black ink, appearing to read "Hollis Cline". The signature is written in a cursive style with a large, stylized 'H' and 'C'.

Aire

2007 Frontier Licensing Round

Further to the presentation made to you at the sectoral meeting on 3 August in relation to the holding of a further licensing round in the Porcupine Basin, your agreement is now sought for the announcement of that licensing round and for the broad timelines associated. It is proposed that the round would be formally announced in October with a closing date for applications in the second quarter of 2007.

In the coming weeks the Division will revert with more detailed proposals in relation to the conditions that should apply to the next licensing round, including detailed timelines. The objective at this time is to signal to the industry your intention, following on the successful completion of the Slyne, Erris, Donegal Round, to hold a further licensing round and the fact that this round will be in the Porcupine Basin, which is currently closed for applications.

The sequence for Frontier Licensing Rounds since the 1992 Terms were introduced has been as follows:

- 1994 Slyne/Erris
- 1995 Porcupine (all relinquished)
- 1997 Rockall
- 1999 South Porcupine
- 2003/2004 Porcupine
- 2005 NE Rockall
- 2006 Slyne/Erris/Donegal

Accordingly, the choice for a 2007 licensing round would be either SE Rockall or Porcupine. SE Rockall has limited 2D seismic data, that was shot over blocks licensed in the 1997 round (subsequently relinquished), but does not have any wells drilled. As such the Department would view it as a more immature province in the exploration sense, that is more distant from the coast and the concern here is whether we would get any applications were this area opened up for licensing. One possible way of advancing exploration in this area would be to include it together with a more mature area e.g. NE Rockall, in a future licensing round. The Porcupine, by contrast, is fairly mature (c. 30 wells drilled), has good coverage of 2D seismic data (except in the south), although more 3D is needed. This area has already yielded both oil, gas and gas condensate discoveries. Accordingly, the Division is of the view that the Porcupine has more potential and the recently completed Petroleum Systems Analysis of the Rockall and Porcupine Basins Offshore Ireland-Digital Atlas has confirmed this. We are confident that the industry would share this view. The work on the "Digital Atlas" shows that the Porcupine has greater potential for gas than Rockall, which is more oil-prone. As already mentioned,

distance offshore is always a factor and this also lends weight to what is a strong case for locating the next round in the Porcupine Basin.

While the industry is expecting another Round in one of the western (Atlantic) basins it does not know at this stage that it will be in the Porcupine. An early signal that the round will be based in the Porcupine will mean that the industry can be more focussed in its immediate consideration of new exploration opportunities.

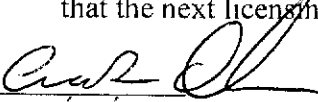
As part of an exploration licensing process there is a statutory requirement to undertake a strategic environmental assessment (SEA). In the Slyne, Erris, Donegal Round the SEA was completed after the closing date for applications. This meant that it was possible that applications would be submitted for acreage to which access would not be granted for environmental reason, or to which significant additional conditions would be attached to any licence granted. On the positive side it meant that the SEA could be more focussed as it was concluded at a time when there was definite information in relation to the proposals from the industry. While the timing of the SEA is amongst the issues yet to be determined it is likely that the very earliest an SEA could be completed for the Porcupine Basin would be early in the second quarter of 2007.

For information, the Department has received an application for a licensing option from ExxonMobil, Providence Resources and Sosina Exploration in an area immediately adjacent to the Porcupine Basin. Granting a licensing option would in effect involve the Department providing the applicants with an assurance that, subject to normal terms and conditions, the Department would award an exploration licence for this acreage in the future, should the applicants apply for one. This application is being considered at present. The possible impact of granting a licensing option at a time when a new round is being announced for the Porcupine Basin, is amongst the factors being considered.

A map of the Porcupine Basin is attached. The map shows the acreage in respect of which licences have already been granted; where there are SACs; and also shows the area covered by the application for a licensing option mentioned above.

A draft press release is attached announcing:

- the decision to offer licences in the Slyne, Erris, Donegal Round
- that tenders are being invited from external experts to provide advice in relation to the ongoing review of licensing terms
- that the next licensing round will be in the Porcupine Basin.


Ciarán Ó hÓbáin
17 August 2006

cc Secretary General (on annual leave), Martin Brennan (on annual leave)

PORCUPINE 2007 FRONTIER LICENSING ROUND

