

Department of Energy & Climate Change  
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Thursday 15<sup>th</sup> December 2011

Dear [REDACTED]

It was good to meet with you at your offices on 30<sup>th</sup> November. We found our discussions very useful.

At that meeting we discussed two key issues; well obligations and relinquishment at the end of the first licence term.

On our Central Weald Licences (PEDLs 231, 234 and 243) we currently have an obligation to drill one well on each licence in order to be eligible to hold each licence into the second licence term. However, as we explained, there are technical reasons as well as planning permission constraints that lead us to formally request your approval to modify the obligation to a floating obligation to drill three wells across three licences, not one well in each Licence.

The technical reasons are predicated on the following:

- The best quality Liassic source rocks with the highest maturity lie in the central licence, PEDL 234,
- The most attractive Triassic conventional prospects lie to the east as does the Kimmeridgian oil shale potential,
- The planning permission problems have become more difficult in the west with the creation of the South Downs National Park. As a result we now realise that the already slow process of getting permissions has slowed even more and this means that whilst planning permission should eventually be obtainable, the timing is such that approvals will not be forthcoming within the current licence timeframe. Of course this also means we will not have sufficient time to fully evaluate post drilling.

The second issue is the 50% relinquishment at the end of the First Licence Term. Such a relinquishment schedule is not a problem in the 'conventional exploration space' where the prospect extent can be defined with some confidence. However in the 'unconventional exploration space', where the hydrocarbon accumulations are continuous and cover a large area, the extent of any discovery is difficult to define exactly but clearly has the potential to extend over a large area. As we have shown in the presentation we gave you, the unconventional prospectivity we have defined at Kimmeridgian, Middle Liassic and Lower Liassic levels are all laterally extensive. The rich, mature source rocks will extend well outside any areas we will be able to retain after the

relinquishment at the end of the First Licence Period. As a result our planned drilling will prove the plays extending into acreage within our licence and beyond. Within our licence area we will be forced to relinquish an unconventional trend proven by drilling, under the 50% area relinquishment rule. The very long lead times for the obtaining of planning permission, with respect to the Licence term, will not allow us to optimise the relinquishment with outpost wells to prove the trend and to better define the limits of the prospectivity within the first licence period.

We would therefore appreciate your guidance on the two issues described in order that we can best plan our exploration activities in the Central Weald. We request your agreement to allow 3 wells drilled in the Central Weald area in any licences to qualify and hold all three licences in to the next licence term. We further request your position on relinquishment policy and areas as applied to unconventional resources proven by drilling.

If you have any questions please do not hesitate to contact me,

Yours sincerely

