

Friday, September 20, 2019

Gunther Newcombe
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Email: Offshore.Exploration@ogauthority.co.uk

CC: Nick Richardson, Sven Larsson

RE: Letter to IAGC concerning the Consultation on the Regulatory Disclosure of Geophysical Data dated 03.07.2019

Dear Gunther,

On behalf of our Members, the IAGC would like to thank you for your letter dated 3rd July 2019, and for the meeting with Nick Richardson and Sven Larsson held 5th July 2019. We appreciate the opportunity to continue to engage positively and constructively with you, in order to provide you with further information and work towards resolution regarding the proposed changes to the Pre-2018 guidance on the disclosure of geophysical data.

Confidentiality, Commercial Sensitivity and Other Issues

As noted in our letter to the OGA dated 13th August 2019 and as discussed at the meeting of 5th July 2019, the extensive data requested by the OGA is highly confidential and commercially sensitive. Unsurprisingly, our members have significant concerns about confidentiality, security and the use which will be made of our data by the OGA and other third parties. As a result, we sought assurances from the OGA in our letter of 13 August 2019.

Your letter of 6th September purports to respond to these concerns. However, you have failed to provide any adequate assurances and, in fact, you state that you are unable to provide any assurances concerning the use which will be made of the material provided. As far as confidentiality is concerned, whilst you state that the OGA intends to publish only a summary of

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the responses to the consultation, you also state that whether information provided by our members is legally confidential is a determination for the OGA to make "bearing in mind the particular facts and circumstances" and state further that any representations made by the IAGC or its members as to why information submitted to the OGA is confidential in nature are not binding. Finally, you state that the OGA is willing, "**as a starting point**", to treat information received from an IAGC member as confidential, and "**generally**" will not disclose that information without first **seeking the views** of the disclosing member on any disclosure. You confirm that the OGA will not disclose such information to the IAGC, or any other IAGC member, without the consent of the disclosing member.

These limited and heavily qualified assurances are wholly inadequate in the circumstances. They provide the IAGC and our members with no comfort that the confidential and/or commercially sensitive information requested by you and provided to you will be kept confidential/secure. You also provide no assurance as to how such information will be used by the OGA.

We also draw your attention to the competition law implications of making such highly sensitive and confidential commercial information widely available to our members, their clients and their competitors globally. We look forward to receiving your comments in this regard.

Clearly, it is entirely a matter for each of our members to weigh up and consider the risks to its business in relation to the disclosure of such information in circumstances where no adequate assurances are given by the OGA and bearing in mind the competition law, intellectual property, contractual and other issues which arise.

In light of the concerns expressed above and previously, we are disappointed by the OGA's response in relation to these issues and would invite the OGA to reconsider its response.

Proposed Changes to the Pre-2018 Guidance

From the letter, and based on the original consultation response submitted by the IAGC, OGA have requested further details regarding the multiclient business model in order to better understand the impacts that the proposed changes are likely to have on our Members' businesses. We would therefore like to take this opportunity to provide a more detailed overview of the multiclient business model, as well as what the IAGC and its Member companies view as the main benefits of acquiring multiclient data. We would also like to reiterate our position regarding the proposed retrospective changes to the Pre-2018 guidance.

The proposed retrospective changes to the Pre-2018 guidance are likely to have a significant detrimental impact on the multiclient business model, as detailed below. In particular, we would like to highlight the following;

- Investment decisions for both acquisition and reprocessing of data have been based on the 2003 Agreement.

- Deviation from the terms agreed in 2003 will adversely impact investment expectations. The revenue from pre-2018 data sales support present investments and should those data sales be negatively impacted, so too will future investment levels.
- The requirement to release field data does not fully recognize the intellectual property value of that data.
- Changes in the 2003 Agreement will impact revenue for all multiclient surveys acquired pre-2018 in the near and/or long term.
- Data release as described will result in the oil industry avoiding accessing commercial data until the value of released data has been exhausted, as has already been evident during the consultation process.

We re-iterate our position that the 2003 Agreement was a binding agreement between the U.K. Government, represented by the then Department for Trade and Industry (DTI) and the IAGC, and which provided certainty regarding the disclosure of multiclient geophysical data on terms that were not those identified within the Model Clauses of the 1998 Petroleum Act. We also wish to reiterate that any proposed retroactive changes to data disclosure guidelines pre-2018 shall be subject to legal challenge. Such a change would have a considerable negative impact on the business of Member companies, all of whom have invested significant capital in support of the OGA's goal of Maximising Economic Recovery (MER). Further, such action would eviscerate the multiclient business model as laid out below, reducing interest in further investment in the U.K., and be at odds with the goals of MER.

The Multiclient Business Model

The licensing of multiclient data has become an integral part of the exploration, development and production process. Worldwide, geophysical companies invest hundreds of millions of dollars annually in this data, and its cumulative value is measured in the billions.

The multiclient business model plays a preeminent role in the exploration industry, delivering powerful insight into the energy resources available beneath the subsurface. Since the government receives a copy of the acquired data, multi-client data acquisition is essential to future policy decisions regarding further energy developments and leasing considerations. Whether through frontier exploration or re-imaging using updated technologies, multi-client seismic surveying provides the necessary information of the subsurface structure to governments. In many instances, it is the first step towards developing new resource plays.

Large multi-client 2D surveys are often acquired in frontier basins and these surveys play a very important role in exploration, providing updated assessments of areas that may or may not hold oil and natural gas reserves and equip decision-makers on how best to utilize those resources. The majority of marine 3D data around the world and a large proportion of the 3D data onshore and in the shallow waters of North America are also acquired as multi-client surveys. These surveys efficiently enable current and future leaseholders to accurately and safely explore and develop energy resources.

Large regional multi-client surveys are beneficial to host countries offering areas for leasing and an economically efficient option for companies exploring for hydrocarbons and will continue to help expedite development of oil and gas reserves around the world. Licensing multi-client data is an excellent, inexpensive way for exploration companies to evaluate the potential oil and gas reserves in under-explored or frontier areas. The competitive markets provide more buyers of multi-client geophysical data. In turn, the multi-client data promote competitive lease sales or licensing rounds and ensure that host governments receive market value for the hydrocarbon resource.

Characteristics of a Successful Multi-Client Business Model

Certain characteristics of the multi-client data licensing business model have stood out in countries around the world which facilitate a successful model for both data providers and host governments to spur exploration. These characteristics provide high levels of open competition which helps to develop more geophysical data for use by the host governments and attract investment for further exploration. **The multi-client business does not operate in some countries due to unfavorable laws, or non-existent laws governing the ownership of the data and exclusivity period.**

The multi-client business model can benefit stakeholders in regions that include some key characteristics:

- **Predictability:** Licensing rounds or lease sales are held regularly, on schedule, with pre-determined areas available for licensing or leasing announced well in advance of each licensing round or lease sale. This allows the geophysical industry time to plan surveys so that data is available in advance of lease sales.
- **Lease Sale Interest:** Smaller parcels (acreage) are offered for licensing or leasing, thus promoting greater competition for acreage, and greater opportunity to the geophysical provider for cost recovery.
- **Frequency:** The confidentiality period (sometimes called exclusivity period), or the length of time before the seismic data is made available to the public, for the multi-client geophysical data should be long enough to cover multiple licensing rounds or lease sales, allowing the data owner multiple opportunities to market and license the multi-client geophysical data. During this exclusive period, it is usual that advances in technology will allow for significant improvement of the data through re-processing. If this enhancement of the data also refreshes the exclusive period, the seismic company is further encouraged to maintain the best possible data, benefitting the oil companies and the country.
- **Intellectual Property Value Recognition:** At the expiry of the confidentiality period, only the processed data is available for release to the public. Field data can continue to be licensed and reprocessed to attract further investment and interest to the lease areas.
- **Regulatory Certainty:** Government regulations must be clear and concise including mitigation measures and environmental programs which commensurate to the applicable risks, derived from the best available science.

Specifically, in relation to the UK, we agree that more and better data is needed in order to facilitate the continued search for petroleum resources and work towards the goals of MER. We believe that a sustainable multiclient business model, benefitting from the characteristics outlined can provide the necessary advantages to E&P. The principle benefits to all stakeholders of the multiclient business model are summarized in Table 1, below.

Table 1; Main benefits of the multiclient business model

STAKEHOLDER	BENEFITS OF MULTI-CLIENT BUSINESS MODEL
E&P Company	<ul style="list-style-type: none"> • Data coverage over a much larger area compared to proprietary seismic acquisition, providing a larger area to consider, in turn increasing chances of success • Access to high quality data at rates typically lower than exclusive proprietary ownership • Allows company to prospect on trend or regional basis – facilitating higher exploration and development success rates • Ability to “ramp up” knowledge base very quickly using available “off the shelf” data. Data available prior to licensing rounds can accelerate drilling by at least 6 months • Lowers the economic hurdles to exploring and producing oil and gas, therefore allowing smaller E&P companies access and entry to riskier and often more expensive plays • More oil companies are provided with the opportunity to invest in exploration, with different models being created, again increasing the chance of success • Improves the efficiency of E&P investments, resulting in more investments • Reduced risk associated with survey permissions, acquisition and data processing • Continued investment by MC companies, providing enhanced technology for acquisition and processing resulting in improved data quality
Host Government	<ul style="list-style-type: none"> • Lower barriers to entry for E&P companies thus promoting more active and competitive licensing rounds • Rapid and efficient development of reserves • Provides data to make decisions about operational matters • Provides opportunity to create subsurface maps that can help in the stewardship of the natural resources • Increased access to new technology; key in developing new discoveries and maximizing recovery from existing discoveries • Efficient and safe handling of seismic data

STAKEHOLDER	BENEFITS OF MULTI-CLIENT BUSINESS MODEL
Geophysical Contractor	<ul style="list-style-type: none">• Opportunity to showcase new technology to a broader client base as well as to governments (new acquisition and processing technology)• Greater control in deployment of assets

Summary

The IAGC welcome the opportunity to provide further information regarding the multiclient business model, and remain at the disposal of the OGA in order to discuss any aspect of the consultation.

The data requests are noted as being detailed, voluminous and of a nature that is of significant concern for Member companies in terms of confidentiality and commercial sensitivity. It will be up to individual companies to provide such details as they consider appropriate. However, as set out above we would be grateful if the OGA would reconsider its position in relation to the assurances/undertakings that may be provided by the OGA in order to assist those companies in providing meaningful information in furtherance of the consultation process.

The IAGC notes and appreciates that the full consultation response has been stated as likely to take some months to complete due to the detail and breadth of responses received. However, while the OGA have acknowledged the concern of IAGC Members regarding the likely economic impacts, there are a number of outstanding points from the original consultation submission that remain unanswered.

Sincerely,



Nikki Martin
President
International Association of Geophysical Contractors (IAGC)