

MISCELLANEOUS

MIN/OIL/1#4

C.S.

1923.

No. 269/23

s. of S. Circular

SUBJECT.

192 3

10th January

Previous Paper.

Model Oil prospecting licence and
mining Lease.

165/14

MINUTES.

S of S Circular of 10th January 1923
copy of Model Oil licence etc

Encl (1)
" (1a)

File: no action necessary
G.H.

14 April 1923.

Subsequent Paper.

CIRCULAR.



Downing Street,

10th January, 1923.

(1)

Sir,

In his Circular despatch of the 14th of March, 1914, Viscount Harcourt transmitted to your predecessor a copy of the model oil prospecting licence and mining lease used by the Government of Trinidad in dealing with Crown lands, and informed him that that model would be taken as the basis of discussion of oil concessions in the Colonies generally, so far as the local law allowed.

2. *Since 1914 certain amendments have been made from time to time in the wording of the model licence and lease, and in particular a new form of royalty clause has been devised to meet the difficulties which have arisen owing to the change in money values during and after the War. This clause has been prepared in consultation with the Petroleum Department and other Departments of His Majesty's Government interested in the production of oil on British territory, and, although there has not as yet been any opportunity to employ it in Trinidad, where practically the whole of the Crown lands comprised in the oil field had been disposed of under the old model, it is the intention of the Colonial Government to adopt the new form in any important concession which may be made in future.*

3. *The royalty of 2/- a ton charged in Trinidad was adopted at a time when that sum was equivalent to ten per cent. of the average value of crude oil at the nearest important port of shipment. The alteration in values which has since occurred has shown the disadvantage of having a money rate of royalty fixed for long periods. Accordingly an attempt has been made in the new clause to substitute a more flexible arrangement under which it will be possible to vary the money rate should any substantial change in values take place. For convenience of drafting the rate of royalty is expressed in terms of a percentage of the crude oil won, but power is reserved to the Governor to require payment in money. Payment of royalty in money at a fixed rate is by far the more convenient course,*

*The Officer Administering
the Government of*

and I contemplate its adoption everywhere unless there should happen to be a considerable demand on the part of Government departments for oil fuel for such purposes as fuel for railway locomotives, etc.

4. You will observe that the rate of royalty has been reduced below ten per cent. for quantities not exceeding 50,000 tons, whatever the total amount of oil won may be. This has been done in order to encourage development by lightening the burden in its initial stages and to assist companies which may be producing comparatively small amounts. It has been thought desirable to retain the reduced rates for the first 50,000 tons, whatever the total may be, in order to avoid discouraging production when the marginal amounts are reached. You will also observe that, as in other clauses of the lease, provision has been made for arbitration in case the Government and the producers are unable to agree.

5. The model licence and lease are preceded by a model oil exploration licence. The object of this exploration licence is to enable a licensee to conduct the preliminary geological examination which ought to be made before prospecting work is undertaken and so to place himself in a position to decide whether the indications are sufficiently promising to justify expenditure on prospecting work. It will be seen that this licence provides for the preparation of maps and for their communication to the Governor. Similar provisions are contained in the prospecting licence and lease. I may remark that it is not intended that these maps should be published without the consent of the licensee or lessee.

6. New features in the present edition of the model forms are the insertion of the table in Part VII, clause 4, of the schedule to the lease, and the provision in clause 5 of the prospecting licence and clause 1 of Part VII of the schedule to the lease requiring fresh issues of capital to be reported to the Governor.

7. I request that the model forms enclosed may be substituted for those forwarded with Viscount Harcourt's despatch. In other respects I desire to associate myself with the observations in that despatch, and in particular I would call your attention to the request made in the fifth paragraph that reference may be made to my Department before your Government is definitely committed to the grant of any oil concession.

I have the honour to be,

Sir,

Your most obedient, humble servant,

DEVONSHIRE.

1a

TRINIDAD.

MODEL OIL EXPLORATION LICENCE,
PROSPECTING LICENCE AND
MINING LEASE.
(CROWN LANDS.)

Revise dated October, 1922.

PRINTED FOR THE CROWN AGENTS FOR THE COLONIES.

PRINTED BY :
WATERLOW & SONS LIMITED, LONDON WALL, LONDON.

EXPLORATION LICENCE.

CROWN LANDS.

THIS EXPLORATION LICENCE made the

day of

between

Governor and Commander-in-Chief in and over the Colony of Trinidad and Tobago and its Dependencies Vice-Admiral thereof Intendant of Crown Lands etc. etc. hereinafter called the "Governor" of the one part and

hereinafter called the "Licensee" of the other part.

1. In consideration of the sum of £2 which has before the execution hereof been paid by the Licensee to the Receiver-General on behalf of the Governor permission is hereby granted by the Governor to the Licensee for the term of months from the date hereof subject to the restrictions conditions and provisions hereinafter contained to enter upon the lands described in the Schedule hereunder written and to explore and search the surface of the same for petroleum oil and for that purpose to dig and turn up the surface of the land to a depth not exceeding two feet.

2. The Licensee shall with all reasonable despatch commence to explore the said lands and during the subsistence of this Licence shall continue to systematically explore the same to the satisfaction of the Governor. He shall furnish a quarterly report to the Director of Lands and Mines showing (a) the true cadastral position of the land geologically surveyed and (b) the true cadastral position of land geologically examined and mapped and he shall from time to time at the request of the Governor submit to him true and full copies of all geological maps (on a scale to be fixed by the Governor) and reports (which he is hereby required to have prepared as the work of exploration proceeds) showing the result of such exploration.

3. The Licensee shall not form or endeavour to form or procure or permit to be formed any company syndicate or association incorporated or not incorporated nor appeal publicly by means of a prospectus or otherwise for money for the purpose of exploiting the lands which are the subject of this licence or any portion thereof without the permission in writing of the Governor to be obtained on his being satisfied that such lands or portion thereof have been thoroughly and efficiently geologically examined and that the results of such examination justify further exploitation.

4. The Licensee may remove any specimens or samples of petroleum oil found by him in or upon the said lands in the course of his exploring operations under this licence.

5. This licence shall not nor shall any right or interest thereunder be assigned or transferred without the consent in writing of the Governor.

6. The licence hereby granted is an exclusive one to explore the surface of the lands described in the schedule for petroleum.

7. If and whenever there shall be a breach on the part of the Licensee of any of the terms and conditions herein contained of which breach the Governor shall be the sole and final judge it shall be lawful for the Governor by notice in writing under the hand of the Sub-Intendant of Crown Lands to be left at the usual place of business of the Licensee in this Colony to absolutely determine this licence without any refund to the Licensee of any disbursements made by him in connection with this licence or the exploration of the said lands under the same or compensation of any kind whatsoever and thereupon this licence shall absolutely cease and determine.

LICENCE TO PROSPECT FOR OIL

(ON CROWN LANDS).

THIS DEED made the day of

19 between

Governor and Commander-in-Chief in and over the Colony of Trinidad and Tobago and its Dependencies Vice-Admiral thereof Intendant of Crown lands etc. (hereinafter referred to as "the Governor" which expression includes the Governor or other Officer for the time being administering the Government of the said Colony) of the one part and

(hereinafter referred to as "the Licensees" which expression shall where the context so admits include their permitted assigns) of the other part.

Whereas the Licensees in accordance with the conditions laid down in the Land Regulations for the time being in force for the granting of prospecting licences have petitioned the Governor for a licence to prospect for crude oil in or under the lands specified in the Schedule marked "A" hereunder written and have entered into a bond with the Receiver-General in the sum of

conditioned for the due and faithful carrying out of the provisions contained in this Deed and the Schedules attached ;

And whereas the Governor has found that there is no objection to granting the said licence ;

Now this Deed witnesseth as follows :—

In consideration of the payment of the fee* prescribed by the Land Regulations receipt of which is hereby acknowledged and of the royalties covenants and agreements hereinafter reserved and contained on the part of the Licensees to be paid and observed the Governor doth hereby grant unto the Licensees the sole right and licence (subject to the conditions hereinafter contained) :

- (1) to enter upon the lands described in the said Schedule marked "A" and to mine bore

*NOTE.—The Fee prescribed by the Land Regulations, 1913, is 1s. per acre. No further fee is payable on renewal of the licence.

- (2) to carry away and dispose of the produce thereof to and for the use and benefit of the Licensees ;
- (3) for the purposes aforesaid to clear undergrowth and brushwood and (with the sanction of the Governor previously obtained in writing) to make and use any drain or watercourse and also to make any roads on the said lands necessary for effectually carrying on the prospecting operations hereby licensed ;
- (4) to erect and bring upon the said lands all such temporary huts sheds and structures steam and other engines, machinery and conveniences chattels and effects as shall be proper and necessary for effectually carrying on the prospecting operations hereby licensed ;

Reserving nevertheless to the Governor full power and liberty at all times to enter into and upon and to grant or demise to any person or persons whomsoever liberty to enter into and upon the said lands for all or every purpose other than those for which this licence is issued and particularly (and without hereby in any way qualifying such general power and liberty) to make on over or through the said lands such roads tramways railways telegraph and telephone lines and pipe lines as shall be considered necessary or expedient for any purpose and to obtain from and out of the said lands such stone earth timber or other material as may be necessary or requisite for making repairing or maintaining such roads tramways railways telegraph and telephone lines and pipe lines or for any other purposes and to pass and repass at all times over and along the said lands and such roads tramways railways and pipe lines for all purposes as occasion shall require.

TO HOLD AND ENJOY the said rights licence and other the premises hereby granted unto the Licensees for the period of two years from the date hereof rendering and paying free and clear from all rates taxes charges and deductions royalties in the Schedule marked " B " hereto specified by payments the first payment to be made on the day of next subject to the right of the Licensees to use free of royalty any product or part thereof hereby licensed for the usual and customary works-consumption and to win use and take free of royalty for the purpose of experiment or as specimens such quantity of such products not exceeding 100 tons during the said period as the Licensees may require.

The Licensees do hereby covenant with the Governor as follows :—

1. The Licensees shall pay to the Receiver-General on behalf of the Governor the said royalties hereby reserved and shall work and carry on the operations

hereby licensed in a skilful and workmanlike manner and with as little damage as possible to the surface of the said lands and to the trees crops buildings structures and other property thereon and will further carry out and conduct in the aforesaid skilful and workmanlike manner the minimum amount of work specified in the Schedule marked "C" hereto.

2. The Licensees will take out a licence under the Crown Land Forest Produce Rules for the time being in force in respect of any timber or forest produce required. Timber and other forest produce required for road construction will not be charged for.

3. The Licensees will make and pay reasonable satisfaction and compensation for all damage or injury to property which may be done in the exercise of powers conferred by this licence.

4. The Licensees will at all times indemnify and keep harmless the Governor and every officer of the Government of the Colony against all actions claims and demands whatsoever which may be made or brought by any persons whomsoever in respect of any such damage or injury as last aforesaid and against all costs and expenses relating thereto.

5. The Licensees will report to the Governor particulars of any fresh issues of capital which may be made by them and will not grant or assign any interest under this licence to any person or persons whomsoever without the previous consent in writing of the Governor and such person or persons shall be and remain British subjects.

6. The Licensees will correctly label and preserve for reference as far as reasonably practicable characteristic samples of the strata encountered and samples of any crude oil found to which the Governor or his representative shall have access at all reasonable times with power to call for one-half of any samples.

7. The Licensees will well and truly measure or weigh or cause to be measured or weighed upon some part of the said lands at least once in every month and as many other times as occasion may require the whole produce which shall be so won as aforesaid of crude oil or such as may be required to be weighed or measured for the purpose of ascertaining the amount of royalty payable in respect thereof and seven days' notice in writing counting from the date of posting the same of every such measuring or weighing shall be given to the Governor in order that he may appoint some person or persons on his behalf to be present at such measuring or weighing and attend to the proper conduct thereof and no part of the said produce shall on any account be taken away from the said lands until the same shall have been so measured or weighed as the case may be. Provided that the Licensees shall be free to remove and take away any such produce notice of the measurement and weighing of which if the same be required to be weighed or measured has been duly given by them in writing to the Governor or his representative if within seven days of the receipt of such notice no steps are taken by the Governor or his representative to verify the same and the measurements or weights of such produce shewn by the Licensees' books shall in such case be accepted by the Governor and his representative as accurate.

8. The Licensees will upon the expiration or sooner determination of this licence or the abandonment of the undertaking hereby licensed whichever shall occur first with all convenient speed remove all buildings structures engines machinery and other property and effects erected or brought by the Licensees upon the said lands under the provisions hereof save and except all such wells tubes casings or linings and works or any portion thereof both above or below ground as the Governor may require to take at a valuation. Provided that this clause shall not apply to any of the works or things aforesaid on lands for which the Licensees shall under the provisions hereinafter contained take up a mining lease which may be required by the Licensees for their operations under the Lease.

9. The Licensees will within six months after the expiration or sooner determination of this licence or the date of the abandonment of the said undertaking whichever shall first occur fill up or securely plug all bores (so as to prevent ingress and egress of water in and from any portion of the strata bored through) and fill up or fence all holes and excavations that they may have made in the said lands to such extent as the Governor may require and will to the like extent restore so far as may be to their natural or original condition the surface of the said lands and all buildings and structures thereon which the Licensees may have damaged in the course of prospecting and shall have power during that period to enter on the lands for the purposes aforesaid. Provided that this clause shall not apply to any of the lands included in any mining lease which the Licensees may take up under the provisions hereinafter contained.

10. The Licensees will at all times afford to the Governor or his representative all reasonable facilities for checking the accuracy of the logs measurements and records kept and made under this licence and all such information supplied to the Governor or his representative shall be treated as confidential unless the consent of the Licensees has been first obtained to its publication.

11. In the event of any further geological surveys or examinations being made the Licensees shall furnish a quarterly report to the Director of Lands and Mines showing (a) the true cadastral position of the land geologically surveyed and (b) the true cadastral position of land geologically examined and mapped and they shall from time to time at the request of the Governor submit to him true and full copies of all geological maps (on a scale to be fixed by the Governor) and reports (which they are hereby required to have prepared as the work of exploration proceeds) showing the result of such exploration.

POWER OF GOVERNOR.

If the Licensees shall at any time refuse or neglect to observe or perform any of the terms and conditions of this licence the Governor may by notice in writing signed by him and delivered to the Licensees or left at the lands for which this licence is given summarily declare that the licence hereby granted shall thenceforth determine and the licence and all rights and liberties conferred hereby or enjoyed hereby or hereunder shall forthwith determine without prejudice to the rights and remedies of the

Governor in respect of any prior breach or non-performance of any or all of the terms and conditions hereof on the part of the Licensees and except in respect of the covenants on the part of the Licensees herein mentioned to be performed after the expiration or sooner determination of this licence or after the abandonment of the undertaking hereby licensed.

COVENANTS BY THE GOVERNOR.

The Governor hereby covenants that if upon the expiration by effluxion of time of the term hereby granted he is satisfied that the Licensees have been prevented from completing their search of the said lands by any cause other than their own default then the Governor may at the request and cost of the Licensees in writing renew the licence for such further term not exceeding two years as the Governor may think fit from the expiration of the term hereby granted subject to the like conditions in all respects as are herein contained but except this covenant for renewal. And also that on or before the determination of this licence the Licensees shall have a right (subject to the provisions prescribed in the Land Regulations in force at the date of this licence for granting mining leases) to a mining lease of the crude oil in or under so much of the said lands as the Licensees may select, *in the form set out in Schedule D hereto the blank spaces in which form shall be filled in by the Governor at his discretion upon the granting of the lease [or upon such terms as may be agreed between the Governor and the Licensees].*

ARBITRATION CLAUSE.

If at any time during the continuance of this licence or after the determination thereof any question or dispute shall arise regarding this licence or any matter or thing connected herewith or the powers duties or liabilities of the Licensees hereunder or the amount or payment of any rent or royalty then and in all such cases the matter in difference shall be referred to the decision of two referees or their umpire pursuant to the provisions of the Arbitration Ordinance No. 41 or any ordinance or law amending or replacing the same for the time being in force. Provided always that nothing herein contained shall extend to or include any question or dispute which may arise as to the exercise by the Governor of the powers and rights hereinbefore set forth to summarily determine this licence but all the matters in this proviso mentioned shall be and are hereby excluded from this submission of questions and matters to arbitration.

In witness whereof the said parties hereto have hereunto set their hands the day and year first herein above written.

SCHEDULE A.

All those lands coloured red on the attached plan situate in the Wards and having an area of _____ or thereabouts.

SCHEDULE B.

ROYALTY.—During the term of this Licence there shall be payable to the Receiver-General half-yearly (1) A Royalty of four shillings per ton of net crude oil which shall have been received into the Licensees field storage tanks or reservoirs after deducting water and foreign substances. (2) A Royalty of two pence per 1,000 cubic feet of natural gas (calculated at an absolute pressure of one atmosphere and at a temperature of 60° F.) sold by the Licensees.

Provided always and it is hereby agreed that the said rate of four shillings per ton has been fixed arbitrarily in order to secure the advantage of a fixed rate and that no inference can be drawn from the amount of the said rates in respect of the real value of the crude oil or products thereof.

SCHEDULE C.

The Licensees shall with all reasonable dispatch commence operations to search for oil and shall within the term of this licence drill not less than _____ wells having an aggregate depth of not less than _____ feet provided that if before the said number of wells have been sunk sufficient results are obtained to justify the Licensees in making application for a lease the Governor on receiving such application may at his discretion dispense with further prospecting work.

The Licensees undertake to provide as a minimum one drilling rig with a suitable number of boremasters and appliances for each _____ acres held under or covered by this licence, and so soon as the best location for an experimental hole has been ascertained by them to work the drill with all reasonable dispatch and so soon as the effect of any hole has been ascertained to move that rig with its appliances and workmen without undue delay to another spot where an experimental hole will afford good information.

The Governor shall have the right when necessary to enable him to decide upon any applications received by him to purchase or lease the surface of any portion of the Crown Lands to require the Licensees to do prospecting work over or alternatively to surrender any such area selected by him provided that no such area or areas exceed _____ acres in the aggregate in any one year or _____ of the total area included in or covered by this licence whichever is the greater and provided also that such work shall not be required on more than _____ plots in any one year.

SCHEDULE D.

[See Mining Lease (Oil) below].

BOND IN RESPECT OF LICENCE TO
PROSPECT FOR OIL ON CROWN LANDS.

KNOW ALL MEN BY THESE PRESENTS THAT WE

of
and
of

are held and firmly bound to the Receiver-General of the Colony of Trinidad and Tobago and his Successors in Office in the sum of pounds of good and lawful money of Great Britain by way of liquidated damages to be paid to the said Receiver-General and his Successors in Office for which payment to be well and truly made we bind ourselves and each of us our heirs executors and administrators jointly and severally by these presents.

Dated this day of 19

WHEREAS by deed of even date herewith and made between

of the one part and the said
of the other part the sole right and licence was granted to the said to mine bore

search for win and work all or any crude oil lying or being within under or throughout that parcel of land situate and having an area of

acres more or less and delineated in the plan attached to the said Deed subject to the terms conditions and covenants therein contained.

AND WHEREAS the said hath agreed to become surety for the due performance by the said of all and several the covenants matters and things under the said Deed to be by him performed and done.

NOW the condition of the above-written bond or obligation is such that if the said shall well and truly observe and perform all and every the covenants and agreements by him to be observed and performed as hereinbefore mentioned and shall in a proper and workmanlike manner do all and every the acts matters and things by him to be done under the said Deed to the satisfaction of the Governor for the time being of the said Colony THEN the above-written bond or obligation shall be void otherwise the same shall remain in full force and effect.

MINING LEASE (OIL).

THIS DEED made the day of in the
year of our Lord between

His Excellency
Governor and Commander-in-Chief in and over the Colony of Trinidad and Tobago Vice-Admiral thereof Intendant of Crown Lands, etc. etc. (hereinafter referred to as "the Governor" which expression includes the Governor or other officer for the time being administering

the Government of the said Colony) of the one part and (hereinafter referred to as the " Lessees " which expression shall where the context so admits include their permitted assigns) of the other part ;

Whereas by deed bearing date the
His Excellency Governor granted
unto the Lessees subject to the terms and conditions therein expressed the sole right and licence to enter upon mine bore search for win and work crude oil in and under certain parcels of lands situate in the in the Island of Trinidad and in the Schedule marked A and the plan attached to the said deed more particularly described for the term of two years from the day of with such powers as were therein mentioned ;

And whereas by the said deed now in recital the Governor covenanted that on or before the determination of the said licence the Licensees should have a right (subject to the provisions prescribed by the Land Regulations in force at the date thereof) to a mining lease of the crude oil in or under so much of the said lands as the Licensees might select ;

And whereas the Lessees in exercise of the right aforesaid have called upon the Governor to grant them a mining lease of the crude oil in or under the lands specified and delineated in Part I of the Schedule hereunder written and the Governor has agreed to grant their request upon the terms and conditions hereinafter appearing ;

NOW THIS DEED WITNESSETH AS FOLLOWS :—In consideration of the covenants provisions and royalties hereinafter reserved and contained the Governor doth hereby demise unto the Lessees all the crude oil and natural gas in or under the lands mentioned and described in Part I of the Schedule hereunder written together with the liberties powers and privileges to be exercised in connection with the said oil and gas mentioned in Part II of the said Schedule subject to the restrictions and conditions which are specified in Part III of the said Schedule and to the provisions contained in Part IV of the said Schedule.

TO HOLD EXERCISE AND ENJOY all and singular the premises liberties powers and privileges hereby granted and demised unto the Lessees from the first day of
19 for the term of

*years then next ensuing yielding and paying to the Governor the several rents and sums of money mentioned and specified in Part V of the said Schedule subject to the provisions relating to rents expressed in Part VI of the said Schedule. And the Lessees do hereby covenant with the Governor as in Part VII of the said Schedule is expressed and the Governor doth hereby covenant with the Lessees as in Part VIII of the said Schedule is expressed and it is hereby mutually agreed and declared by and between the parties hereto as in Parts IX and X of the said Schedule is expressed and it is declared that the Schedule hereunder written shall be deemed part of these presents and be read and construed accordingly.

*NOTE.—The term fixed by the Land Regulations, 1913, is twenty-one years, or such longer term as the Secretary of State may approve.

THE SCHEDULE ABOVE REFERRED TO

PART I.—THE LANDS REFERRED TO IN THIS LEASE.

ALL that piece or parcel of land lying and being Description
of Property.

delineated in the plan hereunto annexed and therein coloured pink and containing an area of or thereabouts; all of which land is hereinafter referred to as "the said lands."

PART II.—LIBERTIES POWERS AND PRIVILEGES TO BE EXERCISED OR ENJOYED BY THE LESSEES, BUT SUBJECT TO THE RESTRICTIONS AND CONDITIONS IN PART III.

1. To bore, dig, sink, drive, make, repair and use all such boreholes, pits, shafts, drifts, levels, excavations, waterways and other works, as may be necessary or proper for the purpose of searching for and winning crude oil and/or natural gas. To bore, etc.

2. Subject to the approval of the Governor, to appropriate and use for any purpose connected with the borings or works connected therewith, the water upon or within any of the said lands, and to collect, impound and bore for the same for the purpose of working the said borings or works, but so that in the exercise of this privilege the Lessees shall not deprive any lands, villages, houses or watering places for cattle of a reasonable supply of water as heretofore accustomed. To appropriate water, etc.

3. To enter upon, use and occupy a sufficient part of the said lands adjoining any borings for depositing thereon the products of the said borings and all the earth soil and other substances brought to the surface and for otherwise carrying on the works of the said borings. To appropriate land for stocking, etc.

4. To refine oil in and upon the said lands whether for purposes of sale or otherwise save as hereinafter provided. To refine.

5. To store, take, lead, pipe, and carry away, on, under or over the said lands the crude oil and refined products, and to dispose of the same at their own will and pleasure, save as hereinafter provided. To lead and carry away oil, etc.

6. To erect set up and make in upon and over the said lands workmen's houses, sheds, engines, machinery, furnaces, buildings, erections, pipe lines, railroads, tram-roads, and other roads and works necessary or convenient for the effectual working of the said borings, diggings, or works connected therewith, and the exercise of the several liberties and powers hereinafter granted. To erect houses, etc.

7. To search for, dig and get gravel, sand and stone within the said lands for the purposes mentioned in this part of the Schedule, but not for sale. To dig gravel, etc.

8. Except as regards lands which may have been proclaimed as a Forest Reserve, to cut down and fell the timber now standing or growing or which at any time hereafter may grow on the said lands, for the purpose of facilitating ingress and egress to and from the said lands and also for the purpose of clearing lands for the erection of machinery and plant in connection with the said borings, and also for the purpose of clearing lands for erecting and making habitable the said workmen's houses. To cut timber.

PART III.—RESTRICTIONS AND CONDITIONS AS TO THE
EXERCISE OF THE ABOVE LIBERTIES, POWERS AND
PRIVILEGES.

Notice to be
given before
entering on
lands.

1. Before occupying any land for surface operations, the Lessees shall give to the Sub-Intendant of Crown Lands fourteen days' previous notice in writing specifying by name or other sufficient designation and by quantity the land proposed to be taken and the purpose for which the same is required. The Sub-Intendant shall at any time within fourteen days from the receipt of such notice state his objections, if any, to the proposed site, and the validity of such objections in case of dispute shall be determined by reference to arbitration as hereinafter provided in Part IX of this Schedule. The Lessees shall also before occupying any land for surface operations pay reasonable compensation to the occupiers thereof in respect of the land so occupied.

Liberty to
object.

Compen-
sation to
occupiers.

Sale or lease
of surface
to third
parties.

2. The Sub-Intendant may at any time or times give notice in writing to the Lessees that application has been made to the Governor to purchase or lease the surface of such portion of the Crown Lands referred to in this lease as is mentioned in such notice.

If the Lessees shall not within ninety days after service of such notice on them give to the Governor notice in writing that they object to his acceding to such application on the ground that the proposed sale or lease will prejudicially affect their rights under this lease it shall be lawful for the Governor at any time or times after the expiration of that period to sell or lease all or any part of the surface specified in such first mentioned notice freed and discharged from all rights of the Lessees hereunder.

If any such objection as aforesaid shall be made by the Lessees within the period aforesaid and the Governor shall notwithstanding such objection desire to make the sale or lease the question whether the proposed sale or lease should or should not be made shall be referred to arbitration as hereinafter provided in Part IX of this Schedule.

If the Arbitrators or their Umpire decide that the proposed sale or lease may be made it shall be lawful for them or him to award that the same may be made either (a) freed and discharged from all rights of the Lessees or (b) subject to a right for the Lessees to exercise (subject to the provisions herein contained) in relation to all or such part or parts (whether specifically described in the award or defined therein by reference to the state or condition as regards buildings cultivation or otherwise in which the same may be at the time of the proposed exercise of such powers and liberties) of the surface to be included in such proposed sale or lease as the said Arbitrators or Umpire may determine the powers and liberties hereinbefore conferred on them upon the following terms and conditions (which the said Arbitrators or Umpire shall have no power either to abrogate or vary) namely:— that the Lessees before exercising all or any of such powers and liberties shall (1) give to the purchaser or Lessee his heirs executors administrators or assigns sixty days' previous notice in writing of their intention so to do specifying by name or other sufficient designation and by

quantity the lands over or in relation to which the Lessees propose to exercise the same and (2) enter an agreement or deed of covenant with him or them to make compensation (to be assessed in case of dispute by arbitration in accordance with the provisions of the Arbitration Ordinance No. 41 or any Ordinance or law amending or replacing the same for the time being in force) to him or them for all damage or injury which he or they may suffer by reason of the exercise thereof.

In case the Arbitrator shall make such an award as is referred to under heading (b) above the proposed sale or lease if made shall be made expressly subject to the provisions of the award and if such award gives or reserves a right to the Lessees in relation to part or parts only of the surface the remainder may be sold or leased freed and discharged from all rights of the Lessees.

3. Save as provided in clause 8 of Part II hereof the Lessees shall not without the express sanction of the Governor cut down or injure any trees or timber in the said lands, but they may clear away brushwood or undergrowth which interferes with the due exercise of the liberties and privileges above granted. Timber.

PART IV.—LIBERTIES AND POWERS OF THE GOVERNOR AND OTHERS.

These presents or anything herein contained shall not prejudice or affect the exercise from time to time of all or any of the following liberties and powers, that is to say:—

1. Liberty and power for the Governor or any Lessee or other person authorised by him in that behalf to search for, dig, work and get any minerals or substances other than crude oil or natural gas in upon or under the said lands and for the purposes aforesaid to sink, make, erect and use such pits, shafts, levels, drains, watercourses, tunnels, buildings, engines or machinery, railways, wagonways and other ways, works and conveniences upon, through or under the said lands as shall be necessary or expedient; provided always that the said reserved liberties and powers to work for minerals or substances other than as aforesaid shall be exercised and enjoyed in such a manner as not to hinder or interfere with the rights and privileges of the Lessees under these presents, and provided also that fair and proper compensation shall be paid by the Governor for all loss, damage or injury which the Lessees may sustain or be put to by reason or in consequence of the exercise of the said reserved liberties and powers to work for minerals or substances other than as aforesaid, the amount of such compensation to be settled in case of difference, by reference to arbitration as hereinafter provided in Part IX of this Schedule.

Governor
may work
other
minerals,
etc.

2. Liberty and power for the Governor or any lessee or other person authorised by him in that behalf to enter into and upon such lands and to make and maintain upon, over or through the said lands such roads, tramways, railways, telegraph and telephone lines and pipe lines as shall be necessary or expedient for any purpose, and to obtain from and out of the said lands such stone, earth and other materials as may be necessary or requisite for making, repairing or maintaining such roads, tramways,

Governor
may make
and main-
tain roads,
etc., upon
lands.

railways, telegraph and telephone lines and pipe lines, and to pass and repass at all times over and along such roads, tramways, railways and pipe lines for all such purposes as occasion shall require; provided always that the said reserved liberties and powers to make and maintain roads, tramways, railways, telegraph and telephone lines and pipe lines shall be exercised and enjoyed in such a manner as not to hinder or interfere with the rights and privileges of the Lessees under these presents: And provided also that fair and proper compensation shall be paid by the Governor for all loss damage or injury (not however including the value of any stone earth or other materials taken) which the Lessees may sustain or be put to by reason or in consequence of the exercise of the said reserved liberties and powers, the amount of such compensation to be settled in case of difference by reference to arbitration as hereinafter provided in Part IX of this Schedule.

Governor
may grant
or demise
lands for
any purpose
subject to
Lessees'
rights.

3. Liberty and power for the Governor to grant or demise to any person all or any part of the said lands for any purpose so that such grant or demise be made subject to the rights of the Lessees hereunder.

PART V.—RENTS RESERVED BY THIS LEASE.

Certain
yearly
rent.

1. As from the date of the expiration of the year from the commencement of the term hereby granted, a certain yearly rent assessed in accordance with the following table shall be paid by the Lessees to the Receiver General of the Colony, provided that from and after the date of the commencement of the said certain rent (1) If the royalty payable in respect of any year shall amount to or exceed the sum of the certain rent the latter shall not be payable in respect of such year and (2) If the royalty in respect of any year shall be less than the amount of the certain rent the amount payable in respect of such royalty shall be deducted from the certain rent payable in respect of that year. Provided that at the option of the Governor or Lessees the certain rent may be paid half-yearly.

| Extent of Area in Acres. | | | | | Annual Rent. |
|--------------------------|--------|--------------|-----|---------|--------------|
| | | | | | £ |
| Not exceeding | 250 | .. | .. | .. | 500 |
| Over | 250 | but not over | 500 | | 800 |
| " | 500 | " | " | 1,000 | 1,000 |
| " | 1,000 | " | " | 2,000 | 1,500 |
| " | 2,000 | " | " | 3,000 | 2,000 |
| " | 3,000 | " | " | 5,000 | 2,500 |
| " | 5,000 | " | " | 7,000 | 3,300 |
| " | 7,000 | " | " | 10,000 | 4,000 |
| " | 10,000 | " | " | 14,000 | 5,500 |
| " | 14,000 | " | " | 20,000 | 7,000 |
| " | 20,000 | " | " | 30,000 | 9,000 |
| " | 30,000 | " | " | 100,000 | 10,000 |

* NOTE.—This scale is taken from the agreements made with certain companies operating in Trinidad. It is, however, subject to revision, particularly in regard to the smaller figures, in cases in which the circumstances are not similar.

2. From the commencement of the term granted by this Indenture there shall be paid by the Lessees to the Receiver General of the Colony at the end of each year of the said term.

(1) A royalty per ton of the net crude oil received into the Lessees' field storage tanks or reservoirs during the preceding twelve months at the following rate, that is to say—

| | | | |
|--|----|----|-------------|
| On the first 10,000 tons | .. | .. | 5 per cent. |
| On each ton exceeding 10,000 but not exceeding 50,000 | .. | .. | 7½ „ „ |
| On each ton exceeding 50,000 but not exceeding 90,000 | .. | .. | 10 „ „ |
| On each ton exceeding 90,000 but not exceeding 130,000 | .. | .. | 12½ „ „ |
| On each ton exceeding 130,000 | .. | .. | 15 „ „ |

For the purpose of this clause net crude oil means crude oil after deducting all water and foreign substances and oil used for the purpose mentioned in Part VI, Clause 3 hereof in respect of which no royalty is payable, and includes any casing head petroleum spirit obtained. If the crude oil upon which royalty is payable is of more than one grade, the Governor shall be entitled to receive such proportion of each grade as the total amount of that grade bears to the whole of the oil upon which royalty is payable.

(2) A royalty of two pence per 1,000 cubic feet of natural gas sold by the Lessees and calculated at an absolute pressure of one atmosphere and at a temperature of 60°F.

Provided that at the option of the Governor or Lessees the royalties may be paid half yearly in respect of the amount of net crude oil received or natural gas sold by the Lessees during the preceding six months, but so that in the result the amount of royalty paid be not less than that hereinbefore provided having regard to the total amount of net crude oil received by the Lessees in any one year of the term granted.

The Governor may in respect of crude oil at his option take royalty in kind or may require the Lessees to pay its equivalent money value, but unless the Governor shall on or before the end of the third month in any year of the term by notice in writing to the Lessees require the Lessees to pay the royalty in kind, it shall be deemed and it is hereby agreed that the Lessees shall be bound to pay the equivalent value of the royalty in money as herein-after provided.

The equivalent money value above mentioned shall be fixed on the first day of each year of the term by agreement between the Governor and the Lessees and failing agreement by the Arbitrator referred to in this clause and in assessing such value regard shall be had to the average value during the previous year of each grade of crude oil taken at the field storage tank such value to be calculated when quotations for crude oil in the open market are not available by taking the prices obtainable for the refined products and deducting the reasonable cost of refining transport and marketing plus a profit of 10 per cent. on these operations, no other deductions being allowed.

Provided that during the first years of this lease the royalty per ton of net crude oil may at the discretion of the Governor be fixed at four shillings per

ton without prejudice to the power of the Governor to take royalty in kind during these years.

Provided further and it is hereby agreed that the said rate of four shillings per ton has been fixed arbitrarily in order to secure the advantage of a fixed rate during the said years and that no inference shall be drawn from the amount of the said rate in respect of the real value of the crude oil or products thereof either before the Arbitrator referred to in this clause or otherwise.

Should the Lessees have erected a refinery for the treatment of crude oil the Governor may if he has given notice as provided in this clause of his intention to take royalty in kind take in lieu thereof quantities of refined products equivalent to the amount of crude oil payable by way of royalty in kind due allowance being made for the cost of refining.

If the Governor has given notice in writing of his intention to take all or part of the royalty in kind the Lessees shall within three months of the date from which the payment of royalty becomes due and on payment of all proper charges for the transport and storage of the oil provide all reasonable facilities at their disposal to enable the Governor to take delivery in kind at any point in the territory at his discretion whether in the form of crude oil or refined products.

Any dispute under this clause shall be referred to arbitration for which purpose an Arbitrator shall be appointed by the Chief Justice and the provisions of the law relating to arbitration in the Colony shall apply.

Surface
rent.

3. The further yearly rent of one shilling per acre or part of an acre of land, the surface whereof shall be occupied by the Lessees for any of the purposes of this demise, the said surface rent to be paid by equal half-yearly payments on the first day of the second and each subsequent half year of the term. Provided always that no such rent shall be paid or demanded in respect of any lands used as roads.

PART VI.—PROVISIONS RELATING TO THE RENTS.

Deductions.

1. All the aforesaid rents shall be paid free from any deductions.

Drawback.

2. If the royalties payable under Clause 2 Part V of this Schedule shall be payable half-yearly then if in any half-year beginning with that for which the first payment of the certain half yearly rent is made the Lessees shall not win or get from or out of the said lands such quantity of crude oil as at the rate mentioned in Clause 2 of Part V of this Schedule would produce for that half-year the amount of the certain rent hereby reserved, then and in every such case the Lessees may in the next succeeding half-year of the said term but not afterwards win and get from or out of the said borings such a quantity of crude oil as shall be required to make up the deficiency without paying any royalty for the same other than the said certain rent. But the surplus of any preceding half-year or half-years shall not come in aid of or be applied to make good the deficiency of any subsequent half-year or half-years.

Oil and gas
free of
royalty.

3. All mineral oil and natural gas which shall be certified by the Inspector of Mines of the Colony for the

time being to have been used by the Lessees for the usual and customary purposes of carrying on the works and for domestic consumption in the houses and offices of agents and workmen for the time being employed in and about the said borings and premises shall be free from royalty.

PART VII.—THE LESSEES' COVENANTS.

1. The Lessees shall at all times be and remain British subjects or a British Company registered in Great Britain or a British Colony, and having its principal place of business within His Majesty's dominions, the Chairman and the Managing Director (if any), and a majority of the other Directors of which shall at all times be British subjects, and neither the Lessees nor the premises, liberties, powers and privileges hereby granted and demised or any land occupied for any of the purposes of this lease shall at any time be or become directly or indirectly controlled or managed by foreigners, or a foreigner, or any foreign corporation or corporations, and the local General Manager of the Lessees, and not less than per cent. of the local staff employed by them shall at all times be British subjects.

Lessees to be British subjects or a British Company.

In this clause the expression "foreigner" means any person who is not a British subject, and the expression "foreign corporation" means any corporation other than a corporation established under and subject to the laws of some part of His Majesty's dominions, and having its principal place of business in those dominions.

Any alteration in the Memorandum or Articles of Association, or in the constitution of the Lessees and particulars of any fresh issues of capital shall be reported to the Governor provided that two months' previous notice of the intention to make any alteration which might conceivably affect the British character of the Lessees shall be given in writing to the Governor who if in his opinion the said alteration shall be contrary to the cardinal principle of this Deed that the Lessees shall be and remain British subjects or a British Company under British control may refuse his consent to such alteration.

The constitution or the Memorandum and Articles of Association of the Lessees shall embody such of the provisions in this clause before contained as the Governor may require.

If and whenever any alteration of which two months' notice in writing has to be given to the Governor as aforesaid is made in the Memorandum or Articles of Association, or in the constitution of the Lessees without the written consent of the Governor, or if, and whenever, there shall be any failure to comply with any of the provisions in this clause before contained the Lessees shall be deemed to have committed a breach of the covenants and conditions contained in this lease and by them to be observed and performed.

2. The Lessees shall pay the rents and royalties hereby reserved at the times and in the manner above appointed in that behalf.

To pay rents and royalties.

3. The Lessees shall, at their own expense, forthwith erect and at all times maintain and keep in repair boundary marks and pillars according to the demarcation shown in the plan hereto annexed, so that the boundaries of the said lands may at all times be clearly defined.

To erect boundary marks.

To work
con-
tinuously.

4. The Lessees shall within twelve months from the commencement of the term of their lease start and open up boring operations and shall work continuously with not less than the minimum number of rigs provided by the table hereunder in accordance with the area included in these presents. Provided that the Lessees shall be entitled to carry on all or portions of the work herein specified on any portion of the said area.

The Lessees shall maintain in good repair, working order and condition, all productive borings when opened, without doing or permitting to be done any unnecessary or avoidable damage to the surface of the said lands in or upon which the said borings or premises are situated, and shall not cultivate or use the said lands in any manner save for the purpose of the rights granted under their lease.

TABLE.

| Extent of Area in Acres. | | Number of Rigs to be continuously employed. |
|--------------------------|----------------------|---|
| Not exceeding 250 | | 1 |
| Over | 250 but not over 500 | 2 |
| " | 500 " " 1,000 | 2 |
| " | 1,000 " " 2,000 | 2 |
| " | 2,000 " " 3,000 | 3 |
| " | 3,000 " " 5,000 | 3 |
| " | 5,000 " " 7,000 | 3 |
| " | 7,000 " " 10,000 | 4 |
| " | 10,000 " " 14,000 | 4 |
| " | 14,000 " " 20,000 | 4 |
| " | 20,000 " " 30,000 | 4 |
| " | 30,000 " " 100,000 | 1 per 10,000 acres but not less than 4. |

Refinery.

5. *As soon as the output of crude oil of a quality suitable for refining amounts to tons per annum, assessed on the average daily production over a period of not less than six consecutive calendar months (such calculation not to include such portion of the production of any wells as may not be under control) the Lessees (unless they shall have previously obtained permission in writing from the Governor, in accordance with the provisions of the Land Regulations for the time being in force, to make other arrangements for the refinement of the oil) shall commence the erection of a refinery capable of dealing with at least fifty per cent. of the output of oil from the said lands and of so treating the oil as to produce oil fuel that shall comply with the specification set out in Part X of this Schedule subject to any alterations which may be made therein by mutual agreement. The Lessees shall complete the

* NOTE.—The Land Regulations, 1913, provide that the Governor may waive this condition in any lease, either for a fixed period to cover the initial stages of development or until a reasonable time after the Imperial Government shall have announced its readiness to purchase from the Lessees stated quantities of oil at their current commercial value.

refinery and put and maintain it in efficient working order with due diligence and dispatch, but in any event within two years from the date on which the site of such refinery shall have been definitely approved or the production have reached _____ tons per annum, ascertained as above, whichever event shall happen last. The Lessees shall from time to time make such additions to this refinery as may be requisite for dealing with at least fifty per cent. of the crude oil which the wells assessed as stated above are capable of yielding annually.

The Lessees shall also provide tankage capable of containing a quantity equal to at least fifty per cent. of the capacity for the time being of such refinery.

Provided that the sites of such refineries and tanks shall be selected by the Lessees with the previous written approval of the Governor, such approval not to be unreasonably withheld, due regard being had to the commercial interests of the undertaking.

Provided further that the sites of such refineries and tanks shall be submitted for the approval of the Governor within two months from the date of which the production shall have reached _____ tons per annum ascertained as above.

6. The Lessees shall take all practical measures to prevent the injurious access of water to the oil-bearing formation. Upon a well proving to be unproductive or ceasing to yield oil in paying quantity or being abandoned for any cause, the Lessees shall be at liberty to withdraw the casing from the said well, but in order to prevent water gaining access to the oil-bearing formation the Lessees shall immediately upon the casing being withdrawn, "plug" the well by filling it with sand, clay or other material as may be directed by the Governor.

7. The Governor, or any officer appointed by him so to do, shall be at liberty at all reasonable times during the said term to inspect and examine all works carried on by the Lessees under the liberty and powers hereinbefore granted, and the Lessees with proper persons employed by them and acquainted with the working of the borings and works shall effectually assist the Governor or any such officer in conducting such inspection and shall afford them all information connected with the working of the borings and works which they may reasonably require.

8. The Lessees shall at all times during the said term keep or cause to be kept at the office or counting-house of the works to be situate in or contiguous to some part of the said lands, correct and intelligible books of accounts upon such plan or principle and in such form as may be approved by the Governor, which books shall contain accurate entries of (1) the quantity of crude oil won or got from the borings which have been or may be made or sunk by the Lessees under the licence and liberty on that behalf hereinbefore contained, (2) the quantity of crude oil subjected to any refining process whatsoever, (3) the quantity of refined products produced from the said crude oil, (4) the quantity of oil otherwise disposed of, (5) the quantity of natural gas sold by the Lessees, and shall also at their own expense furnish at such times as the Governor may appoint true and correct abstracts of all or any of such accounts and returns and shall at all reasonable times allow such officers as the Governor shall in that behalf appoint to enter into and have free

Access of
water.

Governor
may
inspect.

To keep
books and
accounts.

To furnish
abstracts.

access to the said office or counting-house for the purpose of examining the said several books of account and to take copies thereof and make extracts therefrom. All such information shall be treated as confidential but the Governor shall have the right to use such information for the purposes of any arbitration or litigation between the Governor and the Lessees.

To keep
plan of
estate.

9. The Lessees shall at all times during the said term cause to be made and kept at the said office or counting-house true and correct and intelligible plans of the position of all borings, workings and operations which have been made and carried on, and all such plans shall be made, amended, and filled up by and from actual surveys to be made for that purpose at the end of every period of twelve months, and the Lessees shall at their own cost furnish to the Governor true and correct copies of such plans when thereunto required, together with reports showing (a) the true cadastral position of any land geologically surveyed and (b) the true cadastral position of any land geologically examined and mapped, with full and true copies of geological maps thereof, on a scale to be fixed by the Governor, showing the result of any such exploration or examination.

To provide
measuring
appliances.

10. The Lessees shall provide and at all times keep to the satisfaction of the Governor the usual means for measuring and shall measure or cause to be measured therein all crude oil obtained from time to time from the said borings and all natural gas sold and shall at the end of each day cause the total quantity won and got or sold during the previous twenty-four hours and measured as aforesaid to be entered in the aforesaid book or books of account, and it shall be lawful for the Governor at all times during the said term, to employ any person or persons to be present at the measuring of the said crude oil and natural gas and to keep accounts thereof and to check the accounts of the Lessees.

The
Governor
may test
measuring
appliances.

11. The Governor or any officer appointed by him so to do may at any time or times during the said term examine and test the methods and appliances used for the purpose of measuring as aforesaid in order to ascertain whether the same respectively are correct, and if upon such examination or testing any such method shall be found to be incorrect or any appliance used be found to be out of repair or order it shall be lawful for the Governor or his agent to require that the same be adjusted, repaired and put in order by, and at the expense of, the Lessees, and if such requisition be not complied with within fourteen days after the same shall have been made, the Governor or such officer may cause the said measuring appliance to be adjusted, repaired, and put in order, and may recover the expense of so doing from the Lessees, and if upon such examination as aforesaid any error shall be discovered in any such appliance, such error shall if the Governor so decide be considered to have existed for three calendar months previous to the discovery thereof, or from the last occasion of so examining the same in case such occasion shall be within such period of three months, and the said royalty shall be paid and accounted for accordingly.

Governor to
have right
of pre-
emption.

12. In the event of a state of National emergency or War (of the existence of which the Governor shall be the sole judge) the Governor shall have the right of

preemption of all oil and the products thereof and shall have the right to require the Lessees to produce oil fuel of such consistency, description and flash point as are set out in the Specification in Part X of this Schedule, subject to any alteration which may be made therein by mutual agreement. The Lessees shall with every possible expedition and so as to avoid demurrage on the vessel or vessels engaged to convey the same, do their utmost to deliver all oil or products of oil purchased by the Governor under this clause in the quantities at the time and in the manner required by the Governor at a convenient place of shipment or at a place of storage in Trinidad to be determined by the Governor whether belonging to the Government or otherwise.

13. Should the Governor exercise the right of pre-emption the subject of the immediately preceding clause and a vessel employed to carry any such oil or products thereof on behalf of His Majesty be detained on demurrage at the port of loading, the Lessees shall pay the amount due for demurrage according to the terms of the charter party unless the Governor shall be satisfied that the delay is due to causes beyond the control of the Lessees.

Demurrage.

14. The Lessees shall if required (1) convey with all reasonable dispatch by their existing means of transport any oil or products thereof purchased by the Governor from their refining works or place of storage to the appointed place of delivery and (2) refine any crude oil taken by the Governor as royalty and convey the same to such place within the Colony as the Governor may determine but shall be entitled to make their ordinary charge or if there be no ordinary charge a reasonable charge for such conveyance and/or refinement.

Conveyance
of oil for
Governor.

15. The price to be paid for all oil or products of the refining or treatment of such oil taken in pre-emption by the Governor shall be either

Prices in
pre-emption.

(1) As specified in a separate agreement, or (2) if no such agreement shall have been entered into prior to the exercise of the right of pre-emption, the fair market price at the time being as the same shall be settled by arrangement between the Governor and the Lessees, and in default of such agreement the price to be paid shall be referred to two arbitrators, one to be chosen by the Secretary of State for the Colonies and the other by the Lessees, with power to appoint an umpire in case of disagreement, such arbitration to be held in England and to be deemed a reference to arbitration under the provisions of the Arbitration Act of 1889 of the Imperial Parliament or any statutory modification or re-enactment thereof for the time being in force.

To assist in arriving at a fair market price the Lessees shall furnish for the confidential information of the Governor, if so required, particulars of the quantities, descriptions and prices of oil or products sold to other customers and of charters entered into for freight, and shall exhibit to the Governor original or authenticated copies of contracts and charter parties entered into for the sale or freightage of such oil or products.

16. On the occasion of a state of emergency, of which the Governor shall be the sole judge, the Lessees shall use their utmost endeavours to increase the supply of the oil or products thereof for the Government to the extent required by the Governor.

In a state of
emergency
Lessees to
increase
supply of
oil.

Powers
of the
Governor in
case of war.

In the event of war or on the occasion of a state of emergency of which the Governor shall be the sole judge the Governor may take control of the works plant and premises of the Lessees, and the Lessees shall conform to and obey all directions issued by the Governor or on his behalf. Compensation shall be paid to the Lessees for any loss or damage that may be proved to have been sustained by the Lessees by reason of the exercise by the Governor of the powers conferred by this clause. Any such compensation shall be settled by agreement between the Governor and the Lessees or, in default of agreement, by arbitration in manner provided by the last preceding clause.

Agent and
notices.

17. The Lessees shall at all times have on the said land an office with a duly accredited agent at which and on whom all notices may be served and to whom all communications from the Governor may be made. If there shall not at any time be such an agent on the premises, the Government shall be at liberty to treat any other person there as such agent and to serve all documents upon any such other person as aforesaid. In the case of there being no such other person as aforesaid then the affixing of such notice upon some conspicuous portion of the said premises shall be deemed to be good and effectual service thereof. All notices and communications from the Lessees to the Governor may be made in writing by letter addressed to the Colonial Secretary at Port-of-Spain.

To pay com-
pensation
for injury
to third
parties.

18. The Lessees shall make and pay reasonable satisfaction and compensation for all injury which may be done by them their agents and servants in exercise of the liberties and powers hereby granted to the property and rights of other parties, and shall at all times save harmless and keep indemnified the Governor from and against all actions, suits, claims and demands by such parties in respect of any such injury.

To deliver
up boring,
etc., in
good order.

19. The Lessees shall (save in respect of any operations of which the Governor shall have sanctioned the abandonment) at the end or sooner determination of the said term deliver up to the Governor in good order repair and condition and fit for further working all productive wells or borings which shall have been made by the Lessees under the liberty and power in that behalf hereinbefore contained, together with all engines linings casings and fixtures below ground level and which cannot be moved without causing injury to the said borings except borings or other works which shall have been abandoned or disused in the ordinary and fair course of working of the said borings and premises.

Not to
assign, etc.,
without
consent.

20. The Lessees shall not assign or underlet the premises rights liberties powers and privileges hereby granted and demised or any part thereof or part with possession to any other person or persons of any land occupied for any of the purposes of this demise without the previous consent in writing of the Governor who may (without prejudice to his right to refuse such consent on any other ground) require as a condition of giving such consent the assignee or assignees or underlessee or underlessees at his or their expense to execute a deed of covenant to observe and perform the covenants and conditions on the part of the Lessees in these presents contained or such other document as the Governor may require for rendering such assignee or assignees or underlessee or underlessees liable to observe

and perform the said covenants and conditions in like manner as though he or they had been parties to these presents in place of the Lessees or as nearly so as circumstances will admit.

PART VIII.—THE GOVERNOR'S COVENANTS.

1. The Lessees paying the rents and royalties hereby reserved and observing and performing the covenants and provisions herein contained and on their part to be observed and performed, shall and may peaceably and quietly hold and enjoy the rights and privileges hereby demised for and during the term hereby granted without any lawful interruption from or by the Governor or any person rightfully claiming from or under him. For quiet enjoyment.

2. If the Lessees shall be desirous of a renewal of this lease for a further term of* Renewal. years from the expiration of the said term, and of such desire shall, prior to the expiration of such last-mentioned term, give to the Governor six calendar months' previous notice in writing, and shall pay the said rents and royalties hereby reserved and observe and perform the several covenants herein contained and on the part of the Lessees to be observed and performed up to the expiration of the said term hereby granted, the Governor shall offer to the Lessees a renewal of this lease of the said premises for the further term of* Renewal. years at the same surface rent and subject to the same covenants provisions and agreements as are herein contained other than this covenant for renewal, but subject to the payment by the Lessees of such certain yearly rent and royalty as may be then fixed by the Governor, provided that in the event of an increase in the certain rent such increase shall not exceed 50 per cent. of the certain rent hereby reserved.

3. The Lessees may (subject to the provisions of clause 19 of Part VII of this Schedule) at any time or times within six calendar months after the determination of this lease whether by effluxion of time or otherwise enter into and upon the said lands or any part thereof for the purpose of taking down, removing and disposing of, for their own use and benefit all the machinery, utensils, implements, articles and things set up and used in and about the working of the said borings and all refineries, ovens, stills, kilns, sheds, huts, railways, tramways, pipe lines, and other works (except buildings and erections of brick or stone) erected and then standing upon any of the said lands for the purpose of working the said lands for crude oil, unless the lessor shall be desirous of purchasing the same or any of them in pursuance of the provision in that behalf hereinafter contained. Power to remove works, etc.

PART IX.—GENERAL PROVISIONS.

1. If the rents or royalties hereby reserved, or any part thereof, shall be unpaid for the space of two calendar months next after any of the days whereon the same ought to be paid, then and so often as the same shall happen, the Governor may enter into and upon the said lands which shall for the time being be possessed or Power of distress.

* NOTE.—The term of renewal fixed by the Land Regulations, 1913, is twenty-one years, or such further or longer term as the Secretary of State may approve.

occupied by the Lessees for the purpose of this lease and may distrain all or any of the stock of crude oil, refined products, engines, plant, live and dead stock, and things which shall be found in or upon the same premises, and the same may take, lead, drive, carry away, impound, detain and keep until the rent or royalty which shall be due, and all costs and expenses occasioned by the non-payment thereof shall be fully paid and satisfied.

Power of
re-entry.

2. If the rents or royalties reserved or any part thereof shall be unpaid for the space of six calendar months next after any of the days whereon the same ought to be paid as aforesaid and whether the same shall have been legally demanded or not, or if the Lessees shall commit any breach of the covenants and conditions contained in this lease and on their part to be observed and performed or any of them, in such case it shall be lawful for the Governor at any time thereafter, and although he may not have taken advantage of some previous default of a like nature, in and upon the said demised premises or any part thereof in the name of the whole to re-enter and the same to have again re-possess and enjoy as of his former estate.

Abandon-
ment.

3. If the operations for winning crude oil shall be abandoned or discontinued for twelve months, the Governor may thereupon give the Lessees notice in writing of such abandonment or discontinuance and call upon them to resume operations, and in the event of such operations not being resumed to the satisfaction of the Governor within two calendar months from the date of such notice, the Governor may thereupon cancel and determine this lease and all the powers and privileges granted under this lease.

Proviso for
Governor to
purchase
buildings,
etc.

4. If at the end or sooner determination of the said term the Governor shall be desirous of purchasing all or any of the buildings, works, railways, pipe lines, or other things set up or constructed by the Lessees and shall signify such his desire by notice in writing to the Lessees six calendar months at least before the expiration of the said term (or if the said term shall be determined under the power of re-entry hereinbefore contained at any time within three calendar months after the determination of the said term) the Lessees shall sell to the Governor all or any of the said buildings, works, railways, pipe lines or other things at a price which failing agreement shall be fixed by arbitration.

Right of
Lessees to
determine.

5. If at any time during the continuance of this lease the said borings or premises shall become destroyed or rendered substantially and permanently unfit for the purposes of this lease by tempest or flood or violence of any army or mob, or other irresistible force, these presents shall, at the option of the Lessees, be void, provided that if the injury be occasioned by the wrongful act or default of the Lessees or their servants they shall not be entitled to avail themselves of the benefit of this provision, and provided also that if this lease shall become void for or by reason of any of the causes aforesaid it shall be without prejudice to the rights and remedies of the Governor under or by virtue of these presents for the recovery of any rent or royalty which may then remain unpaid or in respect of any breach which may have been committed of any of the covenants herein contained on the part of the Lessees.

Idem.

6. If at any time during the continuance of this lease the said borings or works shall become unworkable at a

reasonable profit in accordance with this lease and the Lessees shall give notice in writing to the Governor to that effect, and of their desire to terminate the lease at the end of six months from the date of notice, then subject to the proviso hereinafter contained, this lease shall determine at the end of such six calendar months as if it had been terminated by lapse of time. Provided that within one calendar month from the date of such notice the Governor may by counter notice in writing to the Lessees require that it be referred to arbitration whether the statement in the Lessees' notice is correct, and whether this state of affairs has arisen from no fault of the Lessees or their servants, and thereupon these questions shall forthwith be referred to arbitration as provided by clause 8 of this part, and the determination of the lease at the date aforesaid shall abide the event of such arbitration. Provided also that if the final award shall not be made before the expiration of the said six calendar months, the Lessees shall not in any event be required to carry on any works or to pay any rent for the period intervening between the end of the said six calendar months and the date of the final award.

7. In the event of the breach by the Lessees of any of the covenants, conditions, stipulations or provisions herein contained, including the provisions for the payment of royalties as above provided, then and in every such case, and if and whenever the same shall arise, the Governor may, by the Colonial Secretary of the Colony for the time being, give the Lessees notice of the breach complained of and call upon the Lessees to remedy the same, and in the event of the Lessees not doing so within three calendar months thereafter the Governor may cancel and determine this lease and all the licences, privileges and powers granted to the Lessees.

Notice of
breach.

8. In the event of any disagreement between the parties hereto as to the meaning of any Clause hereof or touching any matter arising out of the same or connected therewith and not by this deed expressly agreed or intended to be determined by the Governor or by the Lessees or hereby expressly directed to be determined by an arbitrator appointed by the Chief Justice or by arbitration under the provisions of the Arbitration Act 1889 of the Imperial Parliament or any statutory modification or re-enactment thereof for the time being in force the matter shall be referred to two arbitrators one to be chosen by the Governor and the other by the Lessees with power to appoint an umpire in case of disagreement such arbitration to be held in Trinidad and be deemed a reference to arbitration under the provisions of the Arbitration Ordinance No. 41 or any ordinance or law amending or replacing the same for the time being in force.

Arbitra-
tion.

9. For the purposes of any arbitration which under any of the provisions herein contained is to be held under the provisions of the Arbitration Act 1889 of the Imperial Parliament or of any statutory modification or re-enactment thereof for the time being in force this Deed shall be construed and have effect as a contract made in England and in accordance with the law of England.

For pur-
poses of
arbitration
in England
the Deed to
be an
English
Contract.

10. The marginal notes are for convenience only and do not form part of this lease.

Marginal
notes.

PART X.

In this lease "crude oil" means the natural produce of the wells or springs of oil before the same has been refined or otherwise treated except for the removal of water and foreign substances.

"Products" means any part of such crude oil which is obtained by any process of separation and shall include oil fuel.

"Oil fuel" means that product of the crude oil which complies with the following Admiralty Specification as regards flash point, fluidity at low temperatures, percentage of sulphur, presence of water, acidity and freedom from impurities subject to any alteration which may be made therein by mutual agreement provided that the term "oil fuel" shall be held to represent the largest percentage of such product commercially obtainable from the crude oil, viz. :—

The flash point shall not be lower than 175° F., close test (Abel or Pensky-Martens).

The proportion of sulphur contained in the oil shall not exceed 1·5 per cent.

The oil fuel supplied shall be as free as possible from acid, and in any case the quantity of acid must not exceed 0·05 per cent. calculated as oleic acid when tested by shaking up the oil with distilled water and determining by titration with decinormal alkali the amount of acid extracted by the water, methyl orange being used as indicator.

The quantity of water delivered with the oil shall not exceed 0·5 per cent.

The viscosity of the oil supplied shall not exceed 2,000 seconds for an outflow of 50 cubic centimetres at a temperature of 32° F. as determined by Sir Boverton Redwood's standard viscometer (Admiralty type for testing oil fuel).

The oil supplied shall be free from earthy carbonaceous or fibrous matter or other impurities which are likely to choke the burners.

The oil shall, if required by the inspecting officer, be strained by being pumped on discharge from the tanks or tank steamer through filters of wire gauze having 16 meshes to the inch.

"Natural gas" means any gas obtained from borings and consisting primarily of hydrocarbons.

"Casing head petroleum spirit" means any petroleum or liquid hydrocarbons obtained from natural gas by separation or by any chemical or physical process.