

Nautical Petroleum

Environmental Management System Public Statement for 2010 Operations

Rev 01

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Nautical Petroleum PLC

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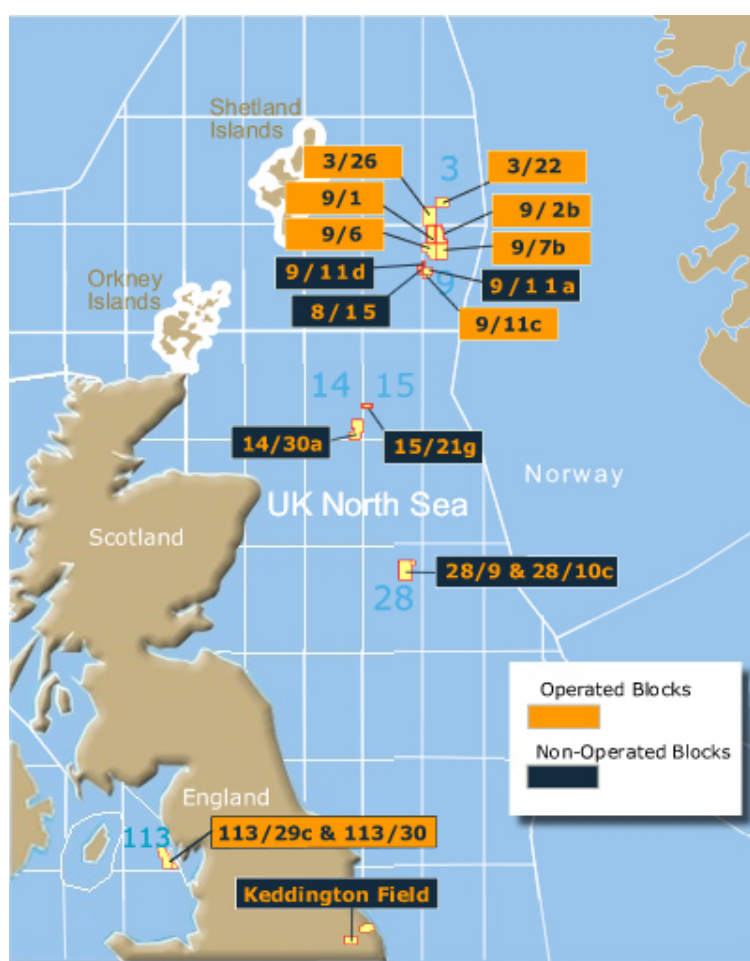
1 INTRODUCTION

Under the OSPAR Recommendation 2003/5, the Department of Energy and Climate Change (DECC) require that all existing UKCS oil and gas operators undertaking offshore operations during 2010 must prepare an annual statement of their environmental performance, covering that calendar year, and make that statement available to the public. This document represents Nautical Petroleum Plc's (Nautical) annual public environmental statement for 2010 in relation to UKCS OSPAR reporting.

2 NAUTICAL'S BACKGROUND

Nautical is an exploration and development company whose activities are primarily focused within the UK North Sea. Nautical operates in 19 UKCS blocks spanning 7 quadrants with working interests ranging between 20 to 100%. A figure 2.1 displays Nautical's UK licences.

Figure 2.1: Nautical's North Sea Licences (2011)



3 THE ENVIRONMENTAL MANAGEMENT SYSTEM

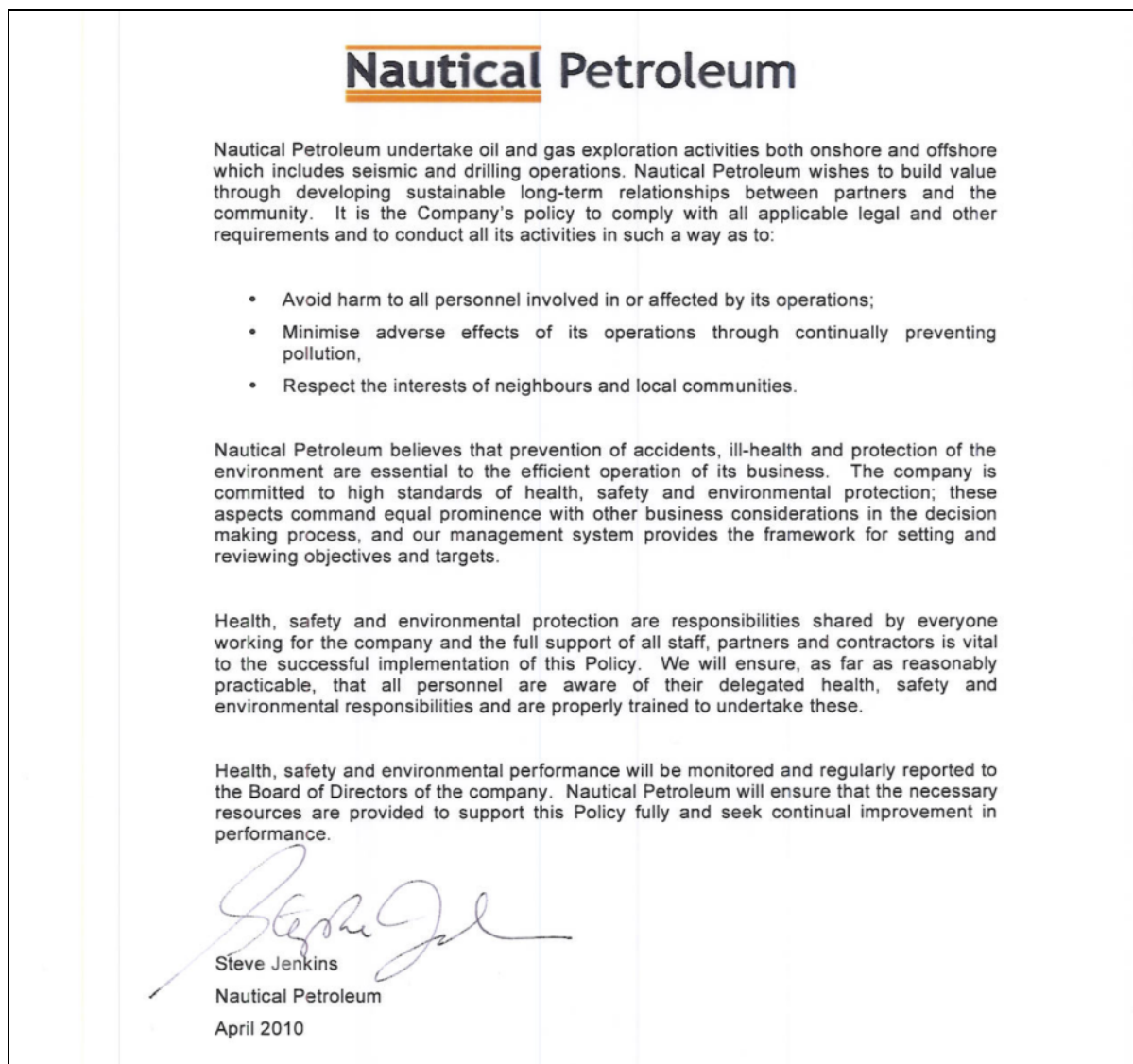
Nautical has developed and implemented a Health, Safety and Environment Management System (HS&E MS) to ensure that all of its activities are managed in a safe, responsible, efficient and effective manner. The HS&E MS ensures that all Nautical's activities are managed in accordance with the Company's HSE Policy which is given in Figure 3.1.

The scope of the HS&E MS extends to all of Nautical's UK operations both onshore and offshore. Specifically this includes offices and temporary onshore and offshore operations (e.g. drilling rigs and survey/support vessels etc.).

The structure and content of the HS&E MS has been designed to enable critical activities to be identified and managed so that risks to the health and safety of personnel and to the environment are reduced to a level deemed to be as low as reasonably practicable (ALARP). In addition, the system has been developed to comply with existing international (e.g. ISO 9001 and 14001) and UK (e.g. HS (G) 65) standards for health, safety, environmental and quality management.

The HS&E MS was independently re-verified with comments in September 2010 by Lloyds Register. Subsequently, a verification action plan was produced to ensure that recommendations, as identified by Lloyds, are implemented and closed-out.

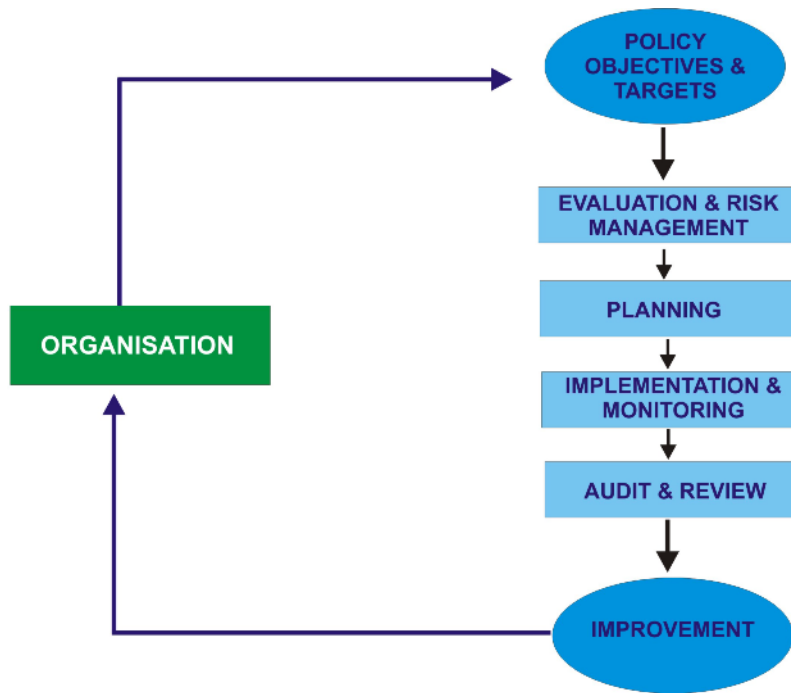
Figure 3.1: Nautical's HSE Policy



The Nautical management team are committed to the successful implementation and operation of all aspects of the HS&E MS throughout its activities.

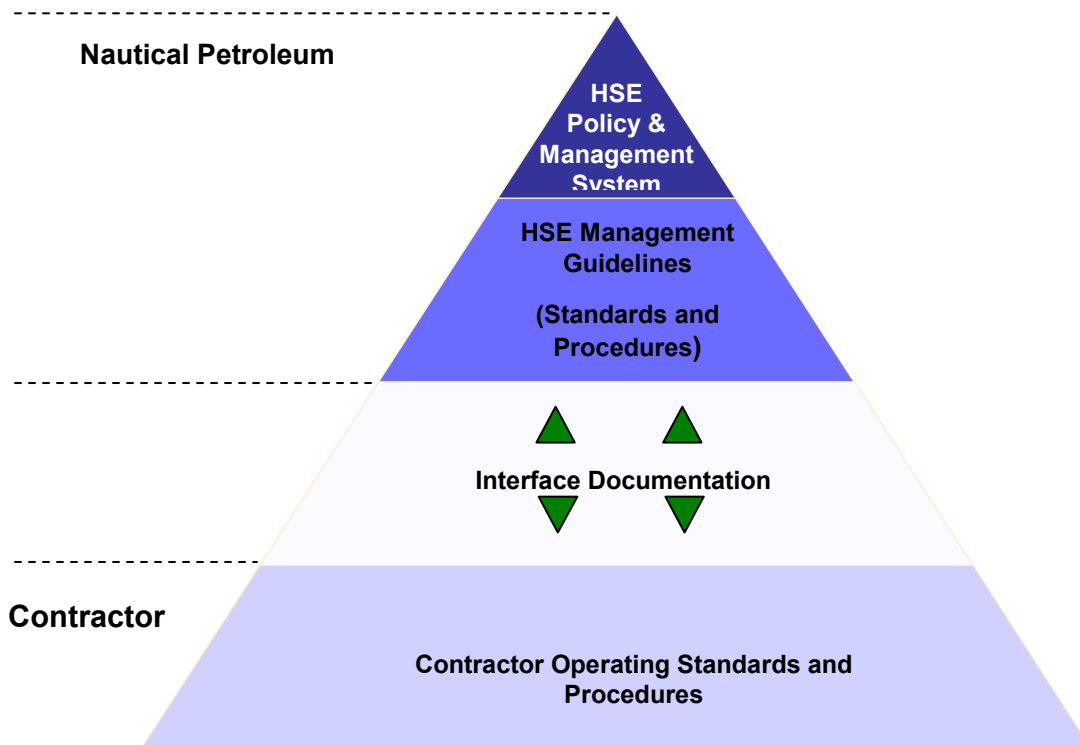
The HS&E MS is structured in a typical quality control feedback loop (Figure 3.2) and provides the mechanism to implement standards throughout the business lifecycle from acquisition of new licences and acreage through to decommissioning and divestiture. A feedback loop facilitates the implementation of continual improvement back into the Management System.

Figure 3.2 HS&E Management System Framework



The HS&E MS provides a flexible management framework through which the company can systematically identify and manage its HS&E risks and opportunities, accommodating individual operational complexities, changing legal and business requirements and the company’s commitment to continuous improvement. The key requirements of each element of the system are described in Figure 3.3.

Figure 3.3: HS&E Management System Structure

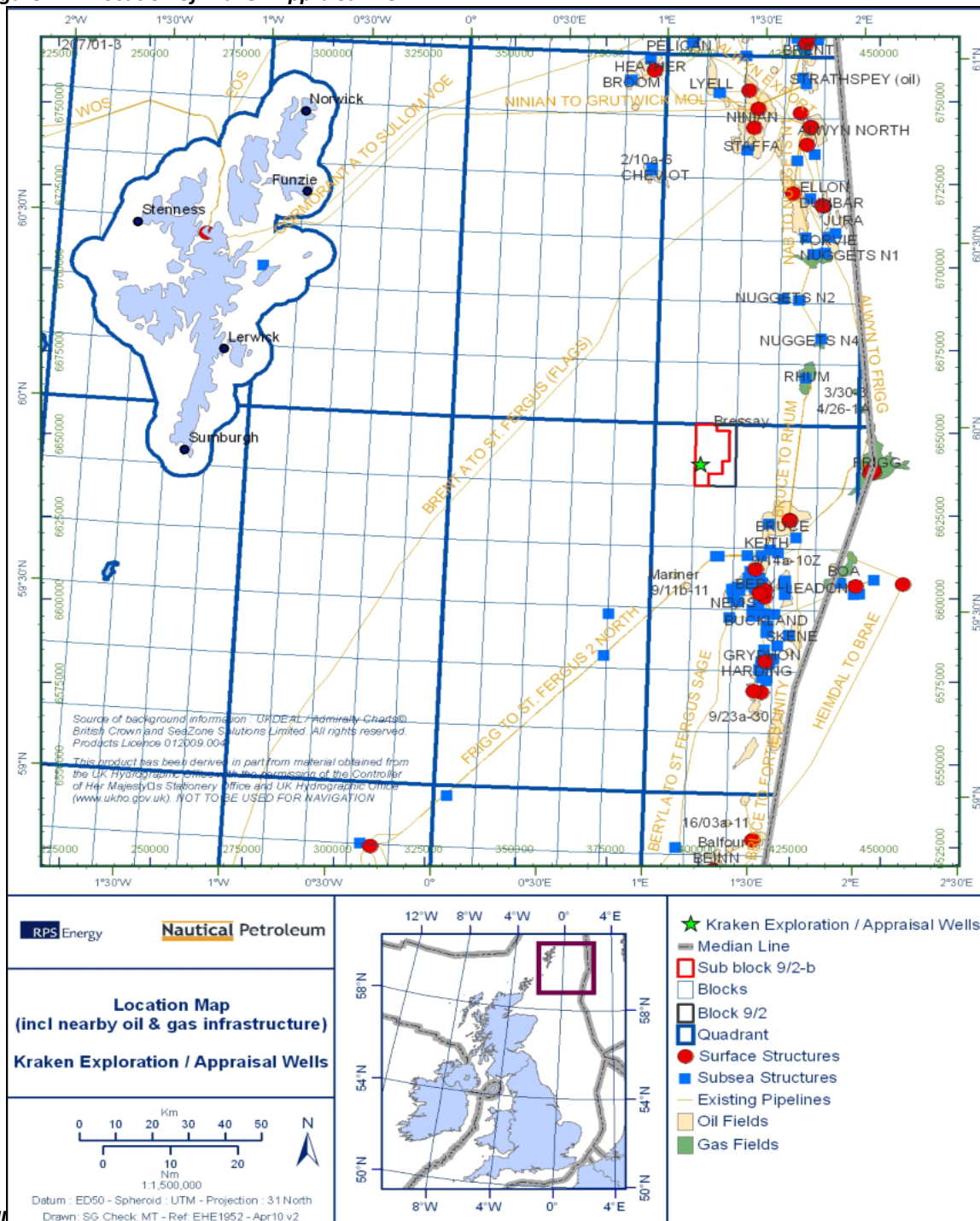


4 2010 ENVIRONMENTAL REPORTING

4.1 2010 UKCS OFFSHORE ACTIVITIES

In 2010, Nautical drilled the Kraken 9/02b-4 appraisal well and 9/02b-4Z sidetrack in the northern North Sea using the Ocean Nomad Semi-submersible drilling rig (See figure 4.1).

Figure 4.1: Location of Kraken Appraisal well



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Drilling of the Kraken appraisal well commenced on the 9^h August 2010 and was completed on the 28th September 2010 (a total of 51 days). The 9/02b-4 appraisal well successfully encountered the target Heimdal III sandstone, with a net oil column of 25m. The well was deemed a success in terms of finding hydrocarbons although the well test was not fully successful due to operational issues. The 9/02b-4z sidetrack found oil-bearing sands in the Heimdal III and a deeper Heimdal reservoir with a total net pay of 23m.

Nautical operations undertaken during 2010 are listed in Table 4.1.

Table 4.1: 2010 Summary of Operations

Activity	Description	DECC Reference
Kraken appraisal well	Appraisal well drilled during August/September 2010 in the northern North Sea.	PON15B/406/2/1

4.2 2010 SUMMARY OF REPORTABLE EMISSIONS

Reportable emissions for the Kraken appraisal well are provided in Table 4.2. The top two sections of the well were drilled with water based mud (WBM), while the 12.25 inch and 8.5inch sections of the well were drilled using Low Toxicity Oil-based muds (LTOBM). There were no discharges of LTOBM into the marine environment. All LTOBM used and all cuttings generated with LTOBM during the drilling program were contained on the rig after use and subsequently shipped to shore for treatment and disposal.

Table 4.2: Nautical's 2010 UKCS Reportable Emissions

Environmental Indicator	Unit	2010
Gas/Oil Production		
Producing Assets	-	None
Drilling Activities		
Wells Drilled	No. of Wells	1
Attempted to Drill	No. of Wells	1
Fuel Consumption (diesel)	Tonnes	423.2
Flaring (Oil / Gas)	Tonnes	22.2 / 0
Environmental Incidents		
Chemical release	No. incidents	0
Hydrocarbon releases	No. incidents	0
Atmospheric Emissions*		
CO2	Tonnes	1425.3
CO	Tonnes	7.0
NOx	Tonnes	25.2
N2O	Tonnes	0.1
SO2	Tonnes	1.7
CH4	Tonnes	0.6

Environmental Indicator	Unit	2010
VOC	Tonnes	1.4
Chemical Consumption		
Gold (use / discharge)	Tonnes	12.073 / 0.413
SUB** (use / discharge)	Tonnes	10.403 / 0
B (use / discharge)	Tonnes	4.928 / 0.0
D (use / discharge)	Tonnes	0.0 / 0.0
E (use / discharge)	Tonnes	1138.289 / 45.602
Waste Generated		
Special (Group I)	Tonnes	9.704 – recycled 7.3 - waste to energy 413.955 – sent to landfill 77.48 –treatment
General (Group II)	Tonnes	21.03 – recycled 26.300 – sent to landfill
Other (Group III)	Tonnes	0.0
Back Loaded Drill Cuttings	Tonnes	51.62 – re-used 546.88 – sent to landfill

Notes:

*Atmospheric emissions have been calculated using Oil and Gas UK emission factors. Data as reported in the Environmental Emissions Monitoring System (EEMS).

**The SUB chemical figures are a sum of all chemicals in the drilling program (e.g. OCNS E, D, B and Gold etc) assigned with a 'SUB' warning.

4.3 2010 ENVIRONMENTAL OBJECTIVES

As part of its HS&E Plan, Nautical set a series of environmental objectives for 2010. These objectives and their status at the end of 2010 are listed in Table 4.3 below.

Table 4.3: 2010 Environmental Objectives and Targets

Issue	Objective	Targets	Status
Spills	Ensure any spills are reported Monthly	0 Spills	No spills or uncontrolled releases during the Kraken Project
Regulatory	Ensure any regulatory non-compliance is reported Monthly	0 Regulatory Non-Compliances	No regulatory Non-Compliances recorded for the Kraken Project
Stakeholders	Ensure complaints are reported Monthly	0 Complaints	No complaints recorded
Leadership	Review/update HSE Policy & HSEMS	Review/update HSE Policy & HSEMS	Complete

Issue	Objective	Targets	Status
Competency	Review job descriptions Review competence profiles Assess training needs	Review for all staff	Complete Ongoing Complete
Training	Review HSE Awareness Training Review Emergency Exercises	Review for all staff Ensure an exercise for each operation is carried out.	Complete Complete
Audits	Ensure all facilities and operations are appropriately audited using an audit schedule	Keep to audit schedule	Rig audit undertaken SPD HSEMS Audit undertaken Internal HSEMS Audit undertaken OSPAR audit undertaken
Risk Registers	Complete a Compliance Register and Aspects Register	Carry out assessments on a project specific basis	Consents register in place for Kraken Project and updated weekly. All consents and permits successfully completed and closed out as necessary. Aspects register completed and reviewed prior to drilling campaign
Contractors	Carry out Contractor HSE Questionnaires Carry out Contractor HSE Audits	Send to lead contractors for each project Conduct audits on Lead Contractors (where current audits not available) for each project	HSE questionnaires sent to Gardline survey company and SPD well management contractors HSE audits undertaken
Non-Operated Joint Ventures	Review HSE Management Needs	Document as HSE MS Procedure – by end July	HSE requirements for Non operated joint ventures considered and additional information put into HSEMS manual

5 2011 KEY MILESTONES AND ENVIRONMENTAL GOALS

- Further appraisal of the Kraken discovery, Block 9/2b, by the drilling and testing of a well in early summer;
- Minimise adverse effects of operations through continually preventing pollution (i.e. no uncontrolled releases of hydrocarbons or other possible pollutants);
- Avoid harm to personnel (i.e. no accidents or incidents);
- Reduce the company's overall impact on the environment (i.e. office operations, project operations);
- Respect the interest of stakeholders (i.e. no complaints or regulatory non-compliances).