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# 139 – Norwegian Oil and Gas Recommended guidelines for handling inside information

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Translated version

## PREFACE

This guideline has been prepared by a work group appointed by the Legal Committee in Norwegian Oil and Gas. The guidelines have been submitted for consultation in Norwegian Oil and Gas' Licensing Policy Committee and have been recommended by Norwegian Oil and Gas' Legal Committee.

Furthermore, it has been approved by the Director General.

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- Aksel Luhr headed the work in the group.

Reference is made to the Appendix 1 Legal report inside information, who has been led by a broadly composed working group. Anniken Maurseth from Det Norske headed the work in the group.

These guidelines have been prepared with the broad-based participation of interested parties in the Norwegian petroleum industry, and they are owned by the Norwegian petroleum industry, represented by Norwegian Oil and Gas Association. Norwegian Oil and Gas is responsible for administration of these guidelines. The responsible manager in Norwegian Oil and Gas is the Legal Affairs Manager, who can be contacted via Norwegian Oil and Gas' switchboard at +47 51 84 65 00.

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## 1 INTRODUCTION

### 1.1 Purpose

The background for the assessment is Økokrim's fine to some member companies regarding an alleged violation of the Securities Trading Act.

The purpose is to provide the oil companies with guidance as regards the most expedient manner in which to comply with the Securities Trading Act's rules for handling inside information.

The assessment should include proposed guidance for how the oil companies should handle sensitive information, for example in connection with exploration wells.

## 2 GUIDELINES - HANDLING INSIDE INFORMATION IN CONNECTION WITH EXPLORATION WELLS AND APPRAISAL WELLS

### 2.1 Introduction

Briefly stated, inside information is non-public information that is of significance for the valuation of a company's shares (an issuing company). Infringement of the Securities Trading Act's (VPHL's) rules concerning the handling of inside information is a legal offence and may result in fines, infringement fees and imprisonment. Sanctions can be issued to both companies and individuals, such as employees, board members and consultants.

Please note that each licensee is individually responsible for the obligations that follow from VPHL and must assess how to implement the statutory requirements in each individual company. These guidelines can be useful in such implementation, but must not be regarded as an exhaustive list that indicates that all aspects of the statutory requirements have been fulfilled.

### 2.2 Inside information – handling requirements

The restrictions and obligations regarding the handling of inside information apply regardless of whether the company has satisfied its obligation to inform the person in question of the obligations. All employees should be made aware of the fact that they are unequivocally prohibited from trading if they have access to inside information, regardless of how this was acquired.

If inside information is generated in an issuing company, the company is obliged to immediately disclose the information in a stock exchange report, unless the terms for delayed disclosure are satisfied. If the terms for delayed disclosure are satisfied, a certain amount of time can pass from when the inside information is generated until

disclosure takes place. During this period from when the inside information is generated until disclosure, the issuing company is obliged to maintain an inside list\*.

The names of all persons who have been given access to inside information must be recorded on this inside list, and they must also be made aware of the restrictions and obligations entailed by the access to the inside information. What is most important for the recipient of this information, is the obligation not to abuse the inside information, not to initiate trades on the basis of this information, as well as to keep it confidential and not pass it on to unauthorised persons, i.e. anyone without a documented need for the information (“need-to-know” basis). In the event of delayed disclosure pursuant to Section 5-3 of the VPHL, the regulated market in question shall immediately be notified of the matter without solicitation, including the basis for the delay.

A typical example of inside information for an oil company may be information to the effect that an exploration or appraisal well has resulted in an oil or gas discovery, or that the well is dry. For smaller companies, the result of such a well may have an impact on their share price regardless of whether or not a discovery is made. For other companies, only proving oil or gas will have an impact of the share price. As regards larger companies, information on the size of a discovery (volume) will often be the only aspect that can affect the share price, potentially along with other information. For the major companies, only information on particularly large discoveries will have the potential to impact the share price. However, it should be noted that there will always be a concrete assessment as to whether the information in question is or has the potential to be inside information for the individual company.

It is important to note that information may be inside information even if the information is incomplete, conditional or preliminary. In projects and processes where new information is generated and processed continuously, such as during a drilling operation, it is therefore necessary for the affected companies to be aware of how they handle inside information from the start, thus allowing for necessary preparations in order to satisfy obligations linked to information handling; either through immediate disclosure, or through delayed disclosure and keeping inside lists.

Certain companies that do not have a duty to disclose information (either not listed on a stock exchange or so large that the information does not qualify as inside information) will, in their capacity of being licensees in a production licence, be in possession of de facto inside information regarding one or more companies in the production licence. Nevertheless, companies that do not have a duty to disclose information will have to adhere to VPHL’s provisions regarding the duty of confidentiality and due care in handling information.

Based on the above and Norwegian Oil & Gas’ “Report – inside information work group”, we hereby issue the following recommended guidelines for the companies’ handling of inside information in connection with drilling of exploration and appraisal wells:

## 2.3 Recommendations

1. Listed companies and other companies that are regularly in possession of inside information must have routines in place for prudent handling of inside information. Security measures may include access restrictions in IT systems, offices, printers, etc. This also affects the official communication channel for exchanging information between parties in a production licence, License2Share, L2S.
2. Licensees that believe that information from an exploration or appraisal well has the potential to constitute inside information for the licensee (hereinafter called the issuer), should notify the other licensees of this issue in writing, preferably before the drilling operation starts. The other licensees should also be informed as early as possible if the potential for inside information as regards the result of a well should change. Which of the licensees' employees are to be contacts for such inquiries should also be clarified.
3. Before the drilling operation, the issuer should take the initiative to hold a partner meeting during which matters relating to communication during and after the drilling operations are discussed and clarified.
4. If inside information is generated in an issuer company, the company is obliged to immediately disclose the information through a stock exchange report, unless the terms for delayed disclosure have been satisfied. If the issuer believes that the terms for delayed disclosure have been satisfied for a specific drilling operation, we recommend the following measures:
  - a. The issuer can ask the Operator to publish a message on L2S specifying which routines will apply for handling information during the drilling operation.
  - b. The issuer should acquire an overview of all persons who are authorised to read the relevant areas on L2S.
  - c. The issuer can ask the Operator to establish a "Work Group" area on L2S with read access on a "need-to-know" basis.
  - d. The issuer should clarify with the Operator whether suppliers associated with the drilling operation should be informed about procedures for handling sensitive information.
  - e. The issuer should clarify with the Operator whether there is a need for more stringent routines as regards access restriction for offices and areas where sensitive information or materials (such as core samples and "samples") can be found. This may apply both on board the rig, on vessels, bases and onshore offices.

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- f. If an issuer chooses to delay disclosure, this issuing company is obliged to maintain inside lists\*\*. Persons listed on the inside list must be informed by the issuer about this and the obligations, including criminal liability, that follow from having access to inside information. The issuer must be able to document that its duty to disclose information has been satisfied.
  5. Regardless of whether or not disclosure is delayed, a draft stock exchange report should be sent to the other licensees as soon as practicable, including information as to when the stock exchange report is scheduled for submission, and a request for any comments to be submitted as soon as possible.
  6. In production licences where information from an exploration or appraisal well may constitute inside information for multiple licensees, the content of the stock exchange report should be coordinated. The same applies for when the report is submitted. However, we want to point out that each licensee is individually responsible for the obligations that follow from the VPHL and that the above coordination must thus take place within the framework of the individual licensee's obligations pursuant to the VPHL.
  7. Information provided in the stock exchange report must be assessed vis-à-vis the Joint Operating Agreement's duty of confidentiality, the duty to disclose information pursuant to the VPHL and the duty to not mislead the market; see Part II of the Report for more information on obligations pursuant to the Joint Operating Agreement and the VPHL. The content of the stock exchange report should be limited and should only provide information about facts and can potentially refer to the fact that a final report from the Norwegian Petroleum Directorate will be available following completion of the drilling operation. An example of such a report is included in Appendix 1.
  8. Licensees that regularly receive or communicate inside information, should inform their employees about the rules in the form of courses, guidelines or other measures.
  9. As a cautionary principle, the issuer may consider the introduction of cautionary rules for employees when trading shares in their own company during drilling operations where one believes there is a potential for generating inside information. In such instances, these rules should be in effect well before drilling starts in the first forecasted reservoir, and should remain in effect until after the drilling result has been disclosed.

\*Section 5-1 of the Security Trading Regulations of 29 June 2007 No 876 and the Oslo Stock Exchange's "Continuing obligations for listed companies".

\*\*Link to the Oslo Stock Exchange – example of inside list:

<http://www.oslobors.no/Oslo-Boers/Regelverk/Regler-for-utstedere/Eksempel-paa-innsideliste>

## APPENDIX 1

Appendix 1 Legal report inside information is published in a separate document.

## APPENDIX 2

### Sample reports

#### 1. Proven hydrocarbons

##### Update on appraisal well XX

Oil Company AS has, as partner in PL YY (20 per cent), proven oil in appraisal well XX (Fault Margin) through core samples. The drilling operations in the reservoir section are in the initial phase. Final results are therefore not yet available.

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#### 2. Dry well

##### Dry well in the Barents Sea

Oil Company AS has, as partner, completed the operations on exploration well XX on the <name: \_\_> prospect in the Barents Sea.

The primary target was reservoirs in the Paleocene and Upper Cretaceous. Traces of gas were found in the Paleocene. The Cretaceous showed no signs of hydrocarbons.

The well is characterised as a dry well and will now be plugged and abandoned.

The well was drilled approx. 230 kilometres northeast of Hammerfest and about 80 kilometres southwest of the Skrugard discovery, in the western part of the Barents Sea. The well was drilled to a total depth of 2 542 metres. Water depth is 325 metres.

This is the first exploration well in licence YY. The licence was awarded in the 20<sup>th</sup> licensing round in 2009.

Oil Company AS is a partner in the licence with an ownership interest of 10 per cent.

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