



Baron Oil PLC

Appendix C Application (P2235)

Safety and Environmental Capability Submission

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TABLE OF CONTENTS

1	INTRODUCTION	1
2	SAFETY & ENVIRONMENTAL CAPABILITY	2
2.1	HSE POLICY	2
2.2	HSE MANAGEMENT SYSTEM	3
2.2.1	Structure	3
2.2.2	Process	3
2.2.3	OSPAR Recommendation 2003/5	4
2.3	MANAGEMENT STRUCTURE AND HSE RESPONSIBILITIES	5
2.4	HSE COMPLIANCE	7
2.5	LEADERSHIP AND COMMITMENT	8
2.6	CONTRACTOR MANAGEMENT	8
3	SAFETY AND ENVIRONMENTAL PERFORMANCE	10
4	LIABILITY ARRANGEMENTS	11

1 INTRODUCTION

Baron Oil PLC (hereafter referred to as 'Baron') is in the process of acquiring 15% equity in Seaward Area Production Licence P2235 (UKCS Block 11/24b) from Corallian Energy Limited (the licence operator).

Under Regulation 3 of The Offshore Petroleum Licensing (Offshore Safety Directive) Regulations 2015, in order for the transfer of the offshore licence to be approved, the applicant must submit an Appendix C Application to the Licensing Authority (OGA) to outline their safety and environmental capability.

This document is the Appendix C Application for Baron and has been structured in accordance with the Offshore Safety Directive Competent Authority's Appendix C - Safety and Environmental Issues Licensing and Operatorship guidance¹.

It should be noted that Baron only intend to hold a financial interest in Licence P2235. Corallian Energy Limited will remain the licence operator and plan to drill the Wick exploration within the licence in Q3/Q4 2018 subject to regulatory approval and rig availability. The safety and environmental responsibilities relating to the proposed Wick exploration well have been assigned to a third party appointed Offshore Safety Directive (OSD) well operator; Fraser Well Management (FWM). FWM has a proven track record and a robust field proven integrated Quality and Environmental Business Management System (QE BMS) and an Occupation Health and Safety Business Management System (OHS BMS), which are certified in meeting the requirements of ISO 14001:2015 (environmental), 9001:2015 (quality) and OHSAS 18001:2007 (occupational health and safety) by a UKAS accredited body. It is acknowledged, however, that all licensees are still financially liable for the prevention and remediation of any environmental damage that is, or may be, caused by the offshore oil and gas activities carried out by the licensees, or by persons acting on their behalf (refer to Section 4).

¹ <https://www.ogauthority.co.uk/media/3936/appendix-c-safety-and-environmental-issues-licensing-and-operatorship-guidance-november-2016.pdf>

2 SAFETY & ENVIRONMENTAL CAPABILITY

Baron is an independent oil and gas company headquartered in London. The company concentrates on low to medium risk exploration prospects in areas that can be quickly and relatively cheaply developed and monetized. Shares in the company are listed in the UK on the AIM small company growth section of the London Stock Exchange.

2.1 HSE POLICY

Baron's HSE Policy defines and documents the Company's commitment to health and safety of individuals and protection of the environment (refer to Figure 2.1).



Figure 2.1 HSE Policy Statement

The implementation of the HSE Policy is achieved through application of Baron’s HSE Management System. Achieving the policy goals depends on the commitment of everybody who works for Baron, including contractors, suppliers and consultants. It is therefore the responsibility of everyone to ensure that the system is understood and followed.

Baron’s HSE Policy is regularly reviewed and, if necessary, modified and revisited following any material changes in the company. It is made available to the public and those working for and on behalf of Baron as necessary.

2.2 HSE Management System

2.2.1 Structure

Baron maximises value by utilising a small core team to manage its assets and utilises contractors to provide support for specific operational activities.

Baron’s HSE Management System has therefore been designed to fit the Company’s business model. It provides an overview of the Baron HSE expectations within which all operations will be managed. In most cases, detailed procedures and work instructions will be provided by contractors. This is illustrated in Figure 2.2 and shows:

1. The top tier of the HSE Management System which outlines the basic Management System and provides Baron’s basic expectations and requirements;
2. Each contractor is responsible for managing activities within their HSE Management System. When appropriate, contractors’ HSE systems and procedures are linked to Baron’s HSE Management System through interface documents. These define the division of responsibilities between Baron and its primary contractors.

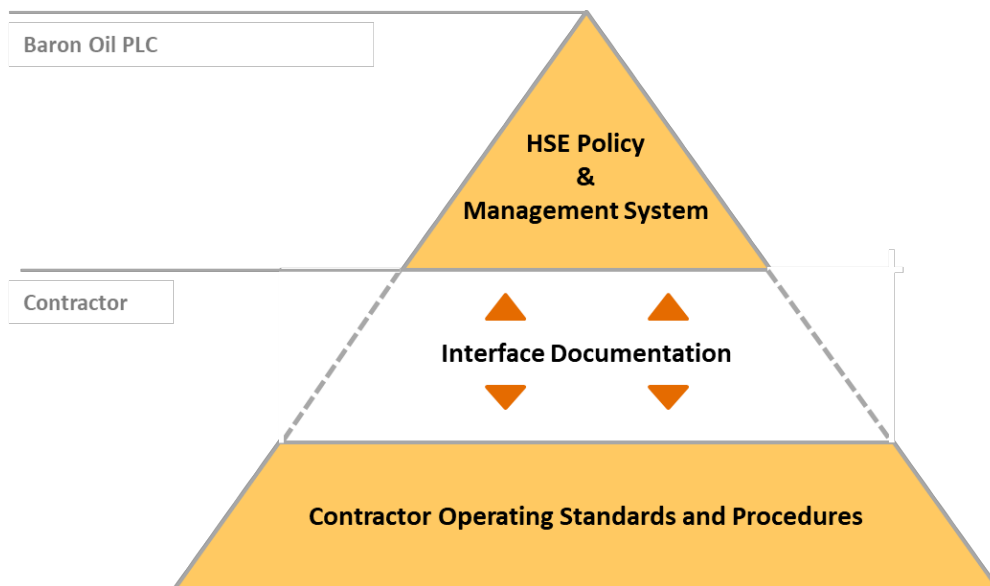


Figure 2.2 Hierarchical Structure of HSE System and Relationship with Contractors

2.2.2 Process

Baron’s HSE Management System forms an integral part of its overall management system and is illustrated in Figure 2.3. It is structured around the PDCA (Plan - Do - Check – Act) cycle, typical of internationally accepted management systems, with a feedback loop to facilitate continual improvement in performance.

The energy to drive and maintain the system is provided by the organisation which sets the Company's HSE policy and goals and, determines the overall performance standards. The process of applying these standards to each activity within the business starts with an assessment to identify possible hazards, assess the risks and agree sensible controls that will minimise any adverse consequences and reduce risks to levels that are as low as reasonably practicable (ALARP). These measures are then incorporated into work plans and the plans are resourced. Finally, the plans are implemented and the whole process monitored and reviewed to determine overall performance and identify areas where improvements would be worthwhile.

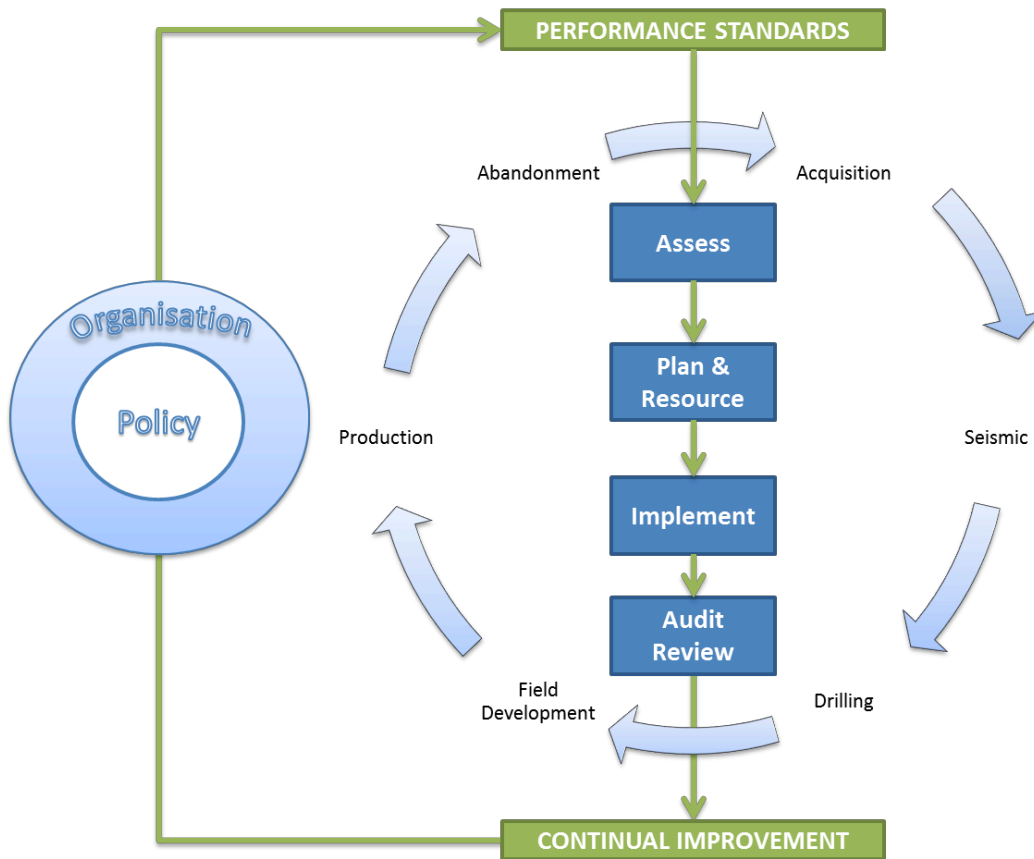


Figure 2.3 HSE Management System Process

The HSE Management System is dynamic. Although the illustration above shows a defined sequence of events, the system elements operate across the business and at various levels within the organisation and therefore may not strictly follow the sequence shown.

2.2.3 OSPAR Recommendation 2003/5

Baron does not anticipate being the OSD “operator” of licences in the UKCS. However, in the event that Baron decides to undertake operated exploration or production activities in the UKCS in the future, Baron is fully committed to obtaining independent verification to confirm the status of its environmental management system in accordance with OSPAR Recommendation 2003/5 to Promote the Use and Implementation of Environmental Management Systems by the Offshore Industry. Verification would be obtained in advance of commencing any offshore oil and gas activities.

Where a third party entity is appointment to manage offshore oil and gas activities, Baron shall ensure that the entity appointed is capable of satisfactorily carrying out the functions and discharging the duties of an operator as defined in The Offshore Installations (Offshore Safety Directive) (Safety Case etc.) Regulations 2015. The capability assessment will include checking that the entity has the technical and managerial ability to do the job, as well as being adequately resourced, both financially and in having sufficient numbers of competent staff. Baron shall also ensure that the entity complies

with OSPAR Recommendation 2003/5. Once appointed, Baron would monitor and evaluate the performance of the operator, particularly with respect to safety and environment performance.

2.3 MANAGEMENT STRUCTURE AND HSE RESPONSIBILITIES

Baron's organisation is tailored to meet the planned activities of the company. The structure of the organisation is dynamic; it is periodically reviewed to ensure that it is appropriate for the level of current and planned activity. As operations expand, the organisation will be developed to ensure maximum effectiveness.

Baron's current organisation is illustrated in Figure 2.4; the Operations Manager is a contract position brought in for specific operations. During periods of low risk activity, this function will be the responsibility of one of the Board of Directors. The HSE Representative reports to the Operations Manager, however, they have the freedom to report directly to the Chief Executive Officer / Board of Directors in the event that any HSE related issues are not being appropriately addressed.

The Directors of Baron Oil have considerable experience in delivering shareholder value through generating substantial increases in net asset value. This is done by discovering commercial quantities of hydrocarbons while mitigating both risks and costs whenever possible through cost carry and farm-out arrangements.

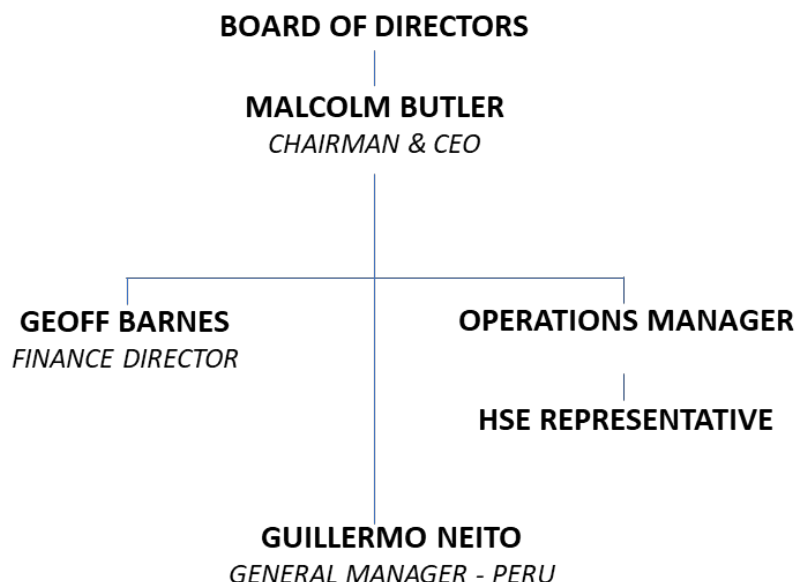


Figure 2.4 Company Organisation

Responsibilities and accountabilities for each position (both during normal operations and where necessary during emergencies) within Baron are defined, so that there is no confusion over responsibilities and accountabilities. In addition, specific HSE goals and targets may be established by the Operations Manager to meet particular project needs.

Overall responsibility and accountability for HSE performance within Baron lies with the Chief Executive Officer; Malcolm Butler. Malcolm obtained a BSc in Geology from Aberystwyth in 1969 and completed his PhD in Bristol in 1972. He then began his career as an explorationist and manager in the oil industry, working for Texaco, Signal Oil & Gas, Transworld, Deminex and St Joe Petroleum and living in the USA, the UK and Egypt while working all over Europe, Africa, South America and the Far East. In 1984, he became Managing Director of Industrial Scotland Energy plc, which he was responsible for floating on the London stock market (USM). In 1986, he set up Brabant Resources plc, concentrating on activities in the UK Onshore, France and North Africa. He floated this company on the London stock market (USM) in 1990 but in 1992 it was taken over by Energy Development Corporation, a large Houston-based energy company and one of the largest operators in the Gulf of Mexico. In 1994 he was appointed CEO of Energy Development Corporation and in 1996 he sold it to

Noble Energy for \$800 million. He then worked as a corporate adviser in Houston, before being appointed to oversee the oil and gas corporate finance business of HSBC Investment Bank, where he also set up a renewable energy group. In 2002, he decided to return to running small oil companies, although retaining links to the City as an adviser to Seymour Pierce, then the largest broker/nomad on AIM.

In addition to his role at Baron Oil, Malcolm is also Technical and Operations Director of Corfe Energy Limited and an Executive Director of Corfe Resources Limited. As the then Chairman of the UK Onshore Operators Group, he became founder Chairman of the UK Onshore Geophysical Library in 1994 and has been largely responsible for its growth and outstanding success ever since. He was awarded the Aberconway Medal of the Geological Society in 1994 for his achievements in the oil industry and in 1996 he was appointed an honorary professor at Aberystwyth University. He is the author of a number of publications on geology and overpressure in the North Sea and the geology of onshore England.

The table below summarises specific responsibilities for HSE management for the current organisation.

HSE RESPONSIBILITIES	Board of Directors	Operations Manager	HSE Representative*
1. Develop HSE goals and targets, as necessary for the business		●	
2. Approve and endorse HSE goals and targets	●		
3. Translate business HSE goals and targets into project goals and targets and assign responsibilities		●	
4. Ensure resources are available to implement the HSE Management System	●		
5. Implement the HSE Management System within their area of control		●	
6. Organise and define HSE responsibilities	●	●	
7. Ensure an appropriate competence assurance system is in place	●		
8. Ensure all legislative (compliance) requirements have been identified, ideally within a legislation register for each activity	●		
9. Identify the level of risk associated with all activities in order to establish the level of risk assessment required	●		
10. Ensure measures to control risks are in place		●	
11. Ensure contractors are selected with consideration of HSE management and performance		●	
12. Establish emergency response procedures and test	●	●	
13. Ensure appropriate monitoring systems in place and regularly review progress and performance	●	●	
14. Ensure contractors are implementing appropriate HSE communication during operations (e.g. site safety meetings, task related meetings, toolbox talks)		●	
15. Monitor and review staff and contractor performance	●		
16. Implement system of incident reporting and review regularly	●	●	
17. Initiate independent investigations of incidents and near misses where appropriate	●	●	●
18. Develop and implement annual audit plan and ensure corrective actions on audit findings are implemented		●	

HSE RESPONSIBILITIES	Board of Directors	Operations Manager	HSE Representative*
19. Approve audit plans	●		
20. Participate in annual management review	●	●	●
21. Advise and provide support on Management System			●

*Note: the HSE Representative has the freedom to report directly to the Chief Executive Officer / Board of Directors in the event that any HSE related issues are not being appropriately addressed.

In addition to the above, all staff and contractors are responsible for working in a safe and environmentally responsible manner, fully implementing the relevant requirements of the HSE Management System and reporting any HSE concerns or issues.

2.4 HSE COMPLIANCE

The Board of Directors ensures that all legislative requirements and applicable standards are identified for each activity and documented within a project specific legislation register, with plans developed for compliance and review. This includes ensuring that any approvals or permit requirements are incorporated into activity work plans. Assistance and support for this activity is provided by the HSE Representative or contractors for specific operations.

The HSE standards adopted by Baron are those specified in the relevant legislation, codes of practice and guidance notes, together with those contained in recognised industry standards and practices (e.g. IF, API, OGP, BSI,ANSI and ISO). Applicable standards are generally defined within Contractor Operating Procedures.

Key environmental and safety regulations applicable to offshore oil and gas activities include, but are not limited to:

- Energy Act 2008 (as amended);
- Marine and Coastal Access Act 2009;
- Marine (Scotland) Act 2010;
- Petroleum Act 1998
- Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013;
- The Conservation of Offshore Marine Habitats and Species Regulations 2017
- The Health and Safety at Work etc Act 1974;
- The Marine and Coastal Access Act 2009;
- The Merchant Shipping (Oil Pollution Preparedness, Response and Cooperation) Regulations 1998 (as amended);
- The Offshore Chemicals Regulations 2002 (as amended);
- The Offshore Installations (Emergency Pollution Control) Regulations 2002;
- The Offshore Installations (Offshore Safety Directive) (Safety Case etc.) Regulations 2015;
- The Offshore Installations (Prevention of Fire and Explosion, and Emergency Response) Regulations 1995;
- The Offshore Petroleum Activities (Conservation of Habitats) Regulations 2001 (as amended)
- The Offshore Petroleum Production and Pipelines (Assessment of Environmental Effects) Regulations 1999 (as amended);

- The Offshore Petroleum Licensing (Offshore Safety Directive) Regulations 2015;
- The Offshore Petroleum Activities (Oil Pollution Prevention and Control) Regulations 2005 (as amended).

Baron identifies changes in legislation through:

- Updates to databases such as the Oil & Gas UK Environmental Legislation Website (<https://oilandgasukenvironmentallegislation.co.uk/>);
- Information issued by / consultation with industry and regulatory bodies, such as the Department for Business, Energy and Industrial Strategy (BEIS), the Health & Safety Executive, Institution of Occupational Safety and Health (IOSH), International Association of Oil and Gas Producers (IOGP) and the International Petroleum Industry Environmental Conservation Association (IPIECA).

Although Baron does not anticipate being the OSD “operator” of licences in the UKCS, the Board of Directors have experience of such operational activity in the UK and internationally.

For non-operated joint ventures (NOJV), Baron will ensure that the standards and expectations outlined in their own HSE Management System are appropriately reflected in the operator’s Management System and work. The policy of Baron, as a NOJV partner, is to satisfy itself that the operator is competent and to influence the operator and other partners toward adopting high standards for the management of HSE risks.

2.5 LEADERSHIP AND COMMITMENT

Baron recognises that the foundation of a successful HSE management system is leadership and commitment. This is demonstrated by the following:

- Endorsement and promotion of the HSE Policy by management;
- Allocation of the necessary resources to implement the HSE Policy;
- Personal involvement of managers in encouraging HSE awareness;
- Periodic review of the HSE Management System.

2.6 CONTRACTOR MANAGEMENT

Baron’s philosophy is to maintain a small number of employees to carry out the core business activities and to contract-in additional expertise for operational activities.

As such, projects are largely resourced through the engagement and effective management of, or alliance with, competent contractors. Baron’s HSE Management System expects main contractors to operate a management system that is compatible with the principles of the Baron HSE Management System.

In addition, Baron assures contractor safety and environmental performance through:

- Selecting contractors on the basis that they are competent to perform the tasks for which they have been contracted. HSE considerations during selection include:
 - The use of HSE performance as part of the assessment to qualify contractors prior to undertaking medium to high risk work;
 - Communication of job-specific HSE expectations and performance criteria to the contractor prior to starting work.
- Ensuring contracts contain appropriate HSE provisions to provide assurance that the contractor will meet Baron’s HSE expectations.
- Ensuring contractors are actively managed during the planning and execution of the work, by:
 - Monitoring and analysis of contractor HSE performance;

- Ensuring contractors report/investigate incidents;
- Ensuring contractors close-out agreed recommendations for remedial action, in a timely manner;
- Providing feedback to contractors and, where appropriate, identifying areas for improvement.

3 SAFETY AND ENVIRONMENTAL PERFORMANCE

Baron confirms the following:

- Baron has had no major accidents² during the last five years (either in the UK or in other countries);
- Baron has not failed to comply with any relevant safety or environmental legislative standards or requirements that resulted in enforcement action by the regulator during the last five years (either in the UK or in other countries);
- No criminal or civil action has been taken against Baron, or pending against Baron, with respect to safety or environmental issues during the last five years (either in the UK or in other countries);
- Baron has not been subject to any convictions for breaching any safety or environmental legislation during the last five years (either in the UK or in other countries).

² 'Major accident' has the meaning given in Article 2(1) of the EU Directive on safety of offshore oil and gas operations (2013/30/EU).

4 LIABILITY ARRANGEMENTS

As previously noted, Baron does not anticipate being the “operator” of licences in the UKCS. However, Baron recognise that licensees are financially liable for prevention and remediation of environmental damage which is or may be caused by offshore petroleum operations by the licensee or an operator appointed by the licensee, irrespective of whether the licensee is an ‘operator’ of the licence or not.

For Licence P2235, once the transfer has been approved, Baron will hold a non-operated 15% equity share in the Licence. As such, in advance of any offshore activities commencing, Baron has agreed the liability arrangements with the other licensees and is providing information to OGA, accordingly.