



Australian Government

**Department of Resources
Energy and Tourism**

AUSTRALIAN PETROLEUM NEWS

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Industry Consultation: Resource Taxation Arrangements

The Australian Government's Policy Transition Group, led by Mr Don Argus AC and the Hon Martin Ferguson AM MP, Minister for Resources and Energy, has released an Issues Paper on proposed changes to resource taxation arrangements.

On 2 July 2010 the Australian Government announced its intention to extend the current Petroleum Resource Rent Tax (PRRT) regime to all Australian onshore and offshore oil and gas projects. The issues paper is designed to canvass industry views on implementation arrangements for the Minerals Resource Rent Tax (MRRT) and the extended PRRT. It also seeks input from stakeholders on the best way to promote future exploration and ensure a pipeline of resource projects for future generations.

The Issues Paper is available at http://www.futuretax.gov.au/pages/resourcetax_PTG_consult.aspx

Interested stakeholders are invited to make formal written submissions to the Policy Transition Group at PTG@ret.gov.au by 28 October 2010.

Montara Commission of Inquiry Update

During his 23 September presentation to the South East Asia Australia Offshore Conference (SEAAOC) the Hon Martin Ferguson AM MP, Minister for Resources and Energy noted that detailed Government consideration of the *Report of the Montara Commission of Inquiry* is ongoing.

Minister Ferguson noted that he anticipates being in a position to publicly release the Report before the end of 2010. A transcript of the Minister's SEAAOC speech is available at:

<http://minister.ret.gov.au>

Established on 5 November 2009, the Montara Commission of Inquiry received over 180 submissions. The Commissioner, Mr David Borthwick AO PSM, also held public hearings from 15 March 2010 to 16 April 2010, the focus of which was the likely cause(s) of the incident, the adequacy of the regulatory regime and the performance of regulatory obligations by relevant persons and entities connected to the wellhead platform; and matters relating to the response to the incident. Commissioner Borthwick delivered the Report to the Minister for Resources and Energy on 18 June 2010.

Offshore Petroleum Safety Regulatory Inquiry Draft Response for Consultation

On 23 September 2010, Minister Ferguson released the Government's final response to the two Offshore Petroleum Safety Regulatory Inquiry (OPSRI) Reports: *Better practice and the effectiveness of the National Offshore Petroleum Safety Authority (NOPSA)*, and *Marine Issues*, and the *2008 Review of NOPSA Operational Activities*.

The OPSRI Reports – designed to improve the safety of Australia's offshore petroleum industry – are an outcome of a joint independent Inquiry announced by the Commonwealth and Western Australian Governments on 9 January 2009 into the effectiveness of regulation for upstream petroleum operations and were publicly released by the Minister on 9 July 2009. The NOPSA Operational review was tabled in Parliament on 12 June 2008.

The three Reports have a total of 34 recommendations and 16 findings, with some consistent themes, including: the need for clarity regarding the framework and coverage of the legislation and regulations; administrative and operating policies and practices of NOPSA; and matters that are particular to the offshore petroleum industry.

The Government has already taken steps to clarify the framework and coverage of the offshore safety legislation and regulations, including providing NOPSA with power to regulate non-OHS structural integrity matters. Longer-term processes are also underway to create a national offshore petroleum regulator, and to re-write the *Navigation Act 1912* to clarify its content. Outcomes of the Montara Commission of Inquiry will build on the Government's response to the OPSRI Reports.

The Government's response was underpinned by a period of public consultation that occurred between 17 May and 25 June this year. The Government's Final Response to the Reports is available on the Department's web site at:

http://www.ret.gov.au/resources/upstream_petroleum/offshore_petroleum_safety



2011 Acreage Release: Call for Images

Each year, as part of the annual petroleum exploration acreage release the Australian Government compiles an information package containing supporting geological and regulatory information, which is available on USB and online at www.petroleum-acreage.gov.au. The information package contains industry images of offshore petroleum and production related activities.

We seek your assistance to add some new images of your activities in Australia to next years, and future, acreage release packages.

Contributions will be acknowledged in each document the image is used in and will not be provided for use by parties outside of the resources and energy portfolio. If you are able to contribute any images of Australian offshore petroleum and production related activities, for use in the 2011 and future publications please email petroleum.exploration@ret.gov.au or contact Keld Knudsen on 02 6276 1193.

Exploration Acreage Available for Bidding

The 2010 Acreage Release offers a range of investment opportunities with 31 areas, located across five basins. Areas vary in size, level of existing geological knowledge and are located in a range of water depths and are supported by pre-competitive geological and geophysical data and analysis undertaken by Geoscience Australia.

Release/Round	Areas	Bid Closing Date
<i>2010 Acreage Release</i> first closing round [20 areas]	W10-1 to 2 W10-10 to 22 AC10-1 to 2 NT10-1 S10-1 to 2	Thursday 11 November 2010
<i>2010 Acreage Release</i> second closing round [11 areas]	W10-3 to 9 W10-23 to 26	Thursday 12 May 2011
<i>Re-release Areas</i>	There are no re-release areas currently available for bidding. If you are concerned that this may impact on commitments in relation to a GSA agreement, please contact RET Exploration on +61 2 6213 7920.	

Further information on these areas and application requirements can be found by visiting this website: www.petroleum-acreage.gov.au.

2011 Acreage Release Area Nomination Process

Thanks to all organisations that nominated areas for inclusion in the 2011 Acreage Release.

Areas ultimately included in an acreage release are chosen following a comprehensive nomination and review process that balances the needs of industry, government and other stakeholders. This process takes into account factors such as:

- previous interest, and exploration undertaken, in the nominated areas;
- whether there is a new geoscientific story or a new market development, such as domestic demand changes or an opportunity for early commercialisation of finds, that might generate the interest of potential bidders;
- any potential adverse impact on current offshore petroleum exploration acreage release areas bidding rounds;
- ongoing pre-competitive studies by Geoscience Australia - it is Government practice to allow pre-competitive geoscientific data collection programs to conclude prior to the release of acreage; and
- international maritime boundary negotiations.

A standardised set of nominations requirements and a nomination template were introduced for the 2011 Acreage Release, with the nomination period closing on 31 August 2010. As with last year, the process was well subscribed, with 12 organisations nominating over 40 areas for inclusion. A pre-announcement of proposed areas for release in 2011 (without prejudice to the final Ministerial decision and launch) will be made through the mid-December edition of Australian Petroleum News.

Geoscience Australia News

Geoscience Australia presented new research results at the Good Oil Conference held in Fremantle in early September. The presentations were based on the Onshore and Offshore Energy Security programs which have now entered their final year.

Three talks were presented within a newly established Good Oil technical session: members from the South West Frontiers Project gave overviews on the prospectivity of potential petroleum systems in the Mentelle Basin, and on data integration in the North Perth Basin based on new palynological data and sequence stratigraphic correlations, as well as source rock, oil stain and fluid inclusion sampling. An innovative approach to utilising oil-slicks as a remote sensing exploration tool was also presented, while the Australian Government's exhibition booth promoted the current offshore Acreage Release and displayed new insights from the Onshore Regional Seismic project.

Scientific interactions also happened across the Tasman Sea, where a summary of the latest results from the Remote Eastern Frontier project (Capel and Faust basins) were presented at the New Zealand Petroleum Conference in Auckland. A suite of new data sets, including potential field and seismic data, are being interpreted to identify the distribution of offshore depocentres that are possibly filled with Cretaceous sediments.

Apart from this ongoing research, the team at Geoscience Australia are also working on the forthcoming 2011 Acreage Release.

Permits Adjacent to Offshore-Coastal Boundaries

Australia's coastline is constantly changing - this can have implications for petroleum titles that are adjacent to the offshore-coastal maritime boundary. Each time a permit abutting this boundary is renewed or upgraded, to a retention lease or production licence, its coastward boundary may be subject to change. Explorers undertaking activities in such areas should ensure they are fully aware of the requirements of the legislation.

The Baseline Proclamation

The Australian territorial sea baseline is the point from which all of Australia's maritime zones are measured. The baseline is proclaimed by the Governor-General, most recently via the *Seas and Submerged Lands (Territorial Sea Baseline) Proclamation 2006*. With the exception of straight baselines, this proclamation describes how the location of the baseline is to be determined rather than actually identifying what is a fluid point on the coast.

In practical terms, the baseline the point from which the coastal-offshore maritime boundary location (3 nautical miles from the baseline) is determined. For petroleum permit administration, the location of the baseline is represented by the Australian Maritime Boundaries (AMB) dataset. The National Mapping Division of Geoscience Australia is the custodian of this dataset. To date there have been three releases of the dataset. The table below indicates the affect of the various versions on petroleum titles. Note that prior to the 2006 release AMB was known as AMBIS, short for Australian Maritime Boundaries Information System.

NAME	RELEASE DATE	AFFECT ON PETROLEUM TITLES
AMB 2006 Version 2	17 February 2006	Titles issued on or after 17 February 2006
AMBIS 2001 Version 1.1	January 2001	Titles issued between 16 February 2006 and 8 February 2001
AMBIS 1995 (unvalidated)	Early 1995	Titles issued between 1995 and 8 February 2001

The AMB does not have legal status, it simply tells permit holders and administrators where the baseline was located at the time that the relevant underlying data were collected; it does not legally 'fix' the baseline in that location for the purposes of the *Offshore Petroleum and Greenhouse Gas Storage Act 2006* (the Act).

The Act

The Act (s.283) allows that a permit boundary that abuts an offshore-coastal maritime boundary remains static only as long as the title 'remains in force'.

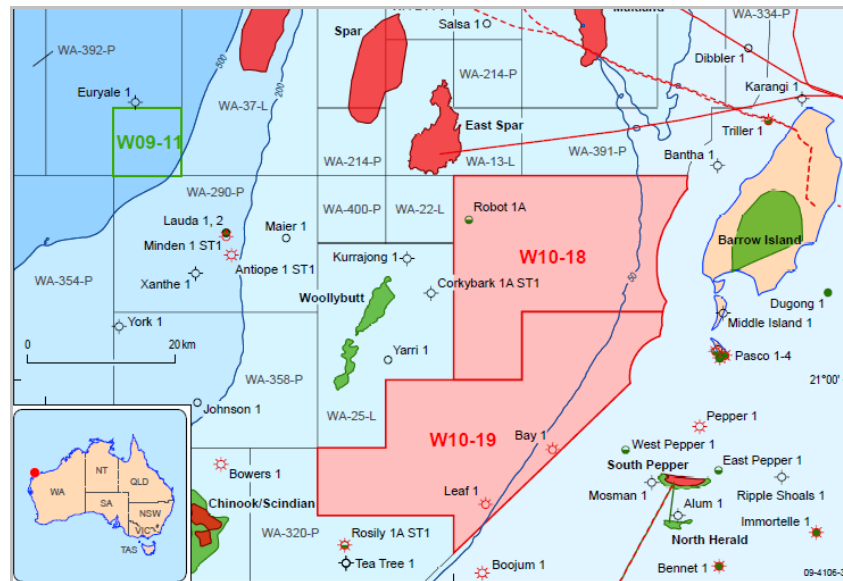
When an exploration permit is renewed, the permittee is granted a new permit that begins on the day after the 'expiry date' of the original permit, and that on the 'expiry date' the original permit 'ceases to be in force'. It follows that an exploration permit does not 'remain in force' when it is renewed. Rather, a new and separate permit is granted and begins on the day after the original permit ceases to have effect. The same conclusion applies to the renewal of petroleum retention leases and petroleum production licences.

This means that if the baseline moves seaward during the term of the original title, the titleholder's rights in respect of the area that becomes part of coastal waters (or visa versa) will only be preserved by section 283 during the term of the title.

If the title is renewed or upgraded, any areas that have changed from commonwealth to state waters (or visa versa) in light of any amendment to the AMB dataset will cease to be governed by the respective Act and the renewed title will not confer any rights on the titleholder in respect of it.

An iteration of this clause has been a constant in offshore petroleum legislation refer *Petroleum and Submerged Lands Act 1967* (s.5AAA) and the *Offshore Petroleum Act 2006* (s.246). Titleholders with rights in areas abutting this boundary should ensure they are aware of the relevant legislation and take it into consideration when making commercial decisions.

Explorers should note that several blocks in the 2010 Acreage Release (WA10-18 and WA10-19) may be impacted by this section of the Act during the life of any permit.



Please note this article has been prepared for general information only. It does not replace or amend information provided in the offshore petroleum legislation or regulations. Companies should not rely solely on this information and should seek independent legal advice when making a commercial decision.

Good Standing Arrangements

The vast majority of petroleum explorers in Australian offshore waters meet all permit conditions and work program commitments within the agreed timeframes and to the accepted Australian standards. The Offshore Petroleum Joint Authority accepts, however, that on occasion a permittee will determine that further exploration, in line with the permit conditions, can not be justified.

The *Offshore Petroleum and Greenhouse Gas Storage Act 2006* allows a permittee to apply for surrender all or part of their permit if all guaranteed work program commitments¹ have been completed, all fees are paid, and all reporting and data submission requirements are met. An additional requirement is that the permit area is clear of all debris resulting from operations and that all wells have been plugged or closed. Permit surrender takes effect in the Year that the consent is given.

¹ Guaranteed work program commitments include the work program in the primary term (Years 1, 2 and 3) of the permit and each secondary term Year once entered.

In cases where a permittee determines that there is no merit in further exploration and chooses not to undertake a guaranteed work commitment, the exploration permit will be in default of its conditions and the Joint Authority will most likely undertake steps to cancel the permit.

A company that wishes to maintain its good standing with the Joint Authority when subject to a permit cancellation (or permit expiry in default) due to failure to meet a work program condition, may seek access to a Good Standing Arrangement (GSA). This arrangement will allow the company to maintain its good standing with the Joint Authority despite the outstanding guaranteed work commitment; good standing is a consideration in assessing past performance of an applicant for an exploration permit (refer *Bid Assessment Guidelines*).

A GSA requires a permittee to expend an amount equal to their share of an agreed monetary value of the outstanding work commitments, on qualifying work during the primary term of re-released acreage, offered for bidding within two Acreage Releases following the GSA that include re-release areas.

Qualifying work includes the acquisition and interpretation of new geophysical and geochemical data and/or drilling activities. Reprocessing of seismic data may be used to meet this obligation if the original data was recorded after the date the qualifying permit was acquired. Costs associated with permit administration, expenditure on general studies not agreed with the Joint Authority and activities in permits obtained from the normal acreage releases are generally not considered acceptable.

A defaulting titleholder is eligible to enter GSA negotiations if they can satisfy the Joint Authority of the following:

- they have made a significant attempt to assess the petroleum potential of the permit area;
- they agree to provide the Joint Authority all documentary and derivative information relating to the cancelled permit (i.e. have all annual reports and other documents and data as required under the title been submitted to the Designated Authority);
- all defaulting titleholders in the permit are willing to agree to data immediately becoming 'open file'; and
- they are willing to make a public announcement (ASX or otherwise) on the agreed GSA.

Evidence of a 'significant attempt to assess the petroleum potential' is generally considered to be at least the completion of seismic surveying commitments and consideration of whether the defaulting permittee has completed work in excess of the second highest bid for the permit area.

Once finalised, a GSA remains in place until the completion of the GSA terms and conditions. A National GSA Register is maintained by the Commonwealth, on behalf of all Offshore Petroleum Joint Authorities to record progress against GSA agreements. Failure to comply with the GSA, will result in the permittee and associated company directors being registered as 'not in good standing' with the Joint Authority for a period of five (5) years from the date, which the permit cancellation was gazetted.

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