



Australian Government

**Department of Resources
Energy and Tourism**

AUSTRALIAN PETROLEUM NEWS

JUNE 2010

Highlights

- Resource Super Profit Tax Consultation
- 2010 Offshore Petroleum Exploration Acreage Release
- 2011 Release Area Nominations
- New Exploration Permits Granted
- NOPSA Board Appointment
- Update on Regulations Consolidation

Resource Super Profit Tax: Industry Consultation

In his presentation to the 50th APPEA Conference in Brisbane, and again on *Meet the Press* on 23 May, Minister Ferguson highlighted the continued industry consultation the Government is undertaking on the recently announced Resource Super Profits Tax (RSPT).

The introduction of the 40 percent tax on resource super profits from 1 July 2012 was announced by the Government on 2 May. Under the RSPT the Government will provide a refundable credit to resource entities for state royalties.

There will be a staged consultation process over the course of this year to work through detailed design issues, particularly the transition for existing projects. This is a major reform and the Australian Government is committed to a genuine and open consultation process.

Key industry stakeholders and interested parties are encouraged to make the most of the consultation process to raise their concerns and provide evidence of the potential impact of the proposed tax changes, so that positions on the prospective changes can be discussed and understood.

Consultation

Consultation, through a series of state-based workshops, is underway, with meetings already being held in Sydney, Brisbane, Melbourne, Perth and Adelaide. The next workshop will be in Darwin on Thursday 17 and Friday 18 June.

These sessions will incorporate open briefings followed by short individual meetings with interested companies. Individual sessions will last approximately one hour and allow impacted companies to discuss issues they would like addressed in the design.

Information about stakeholder consultation activities around the RSPT can be found on the Australian Treasury website at: <http://www.futuretax.gov.au/pages/default.aspx>.

Issues Paper

Following the initial consultation process, an Issues Paper will be released for comment in late July 2010. All stakeholders will then have the opportunity to make formal submissions to the Government up until the end of August 2010 on issues raised. Formal submissions from stakeholders will be used to inform the final design.

Final Design Paper

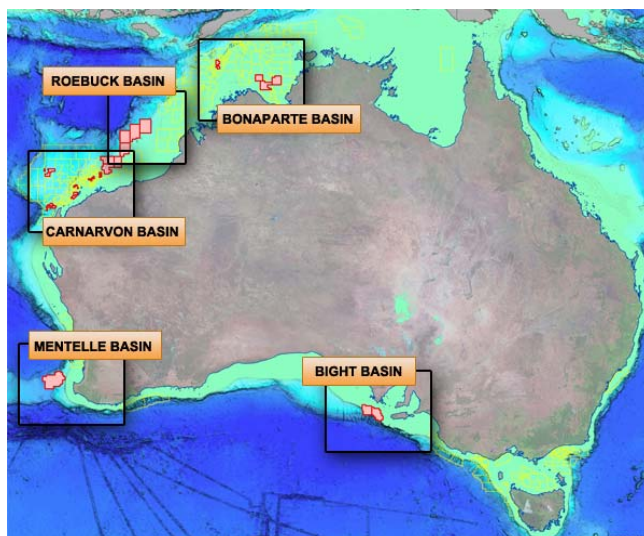
At the completion of the issues consultation process, a Final Design Paper (anticipated late 2010) will confirm the response to key design issues. The final design and Exposure Draft Legislation (anticipated mid 2011) will be released for consultation before being finalised for introduction into Parliament.

2010 Offshore Petroleum Exploration Acreage Release

The Minister for Resources and Energy, the Hon Martin Ferguson AM MP, launched the *2010 Offshore Petroleum Exploration Acreage Release* at the annual Australian Petroleum Production and Exploration Association (APPEA) Conference on 17 May.

The sustainable annual release of quality petroleum exploration acreage, to provide the global petroleum exploration industry with a variety of investment opportunities in Australian waters, is a key objective of the Australian Government.

In announcing the 2010 Acreage Release, Minister Ferguson said, “Australia has a \$16 billion trade deficit in crude oil, refined products and LPG, which is expected to rise, possibly as high as \$30 billion by 2015. Our energy security will be greatly enhanced by the opening up of new geological frontiers, reducing our dependence on imports. Exploration in the areas under offer, some of which are in frontier areas, is a step towards achieving our energy security objective.”



The 2010 Acreage Release comprises 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.

Included in the 2010 Acreage Release is an area in the Mentelle Basin, offshore south west Western Australia, which the Australian Government considers to be prospective but under-explored. Geoscience Australia's recent acquisition of seismic data in this area, as part of the Offshore Energy Security Program, has reinforced this view by providing critical new knowledge and understanding of this frontier basin.



www.petroleum-acreage.gov.au

2010 Acreage Release Information Package

To assist prospective explorers, a detailed Acreage Release information package is available online at: www.petroleum-acreage.gov.au. The package contains:

- an overview of the Australian offshore petroleum sector;
- guidance for preparing an exploration permit application, including the selection criteria and assessment process;
- a summary of petroleum prospectivities and geological settings; and,
- a summary of available data.

Pre-competitive Data Access

Pre-competitive geological data associated with release areas may be available and industry is invited to contact Geoscience Australia, which offers free, secure access to the latest seismic and geological data supporting the 2010 Acreage Release. For bookings please email: biu@ga.gov.au or visit: <http://www.ga.gov.au/about-us/facilities/acreage-release-data-room.jsp>.

Bid Submission

Bids for areas, together with supporting data, should be submitted in hard copy in accordance with the instructions in the information package, to the relevant state or territory department by **no later than 4:00 PM** local time on the closing date.

Please note: late or incomplete applications will not be accepted.

Closing dates for applications are:

- the first bidding round, for 20 areas, closes on Thursday 11 November 2010; and
- the second bidding round, for a further 11 areas, closes on Thursday 12 May 2011.

USB Jump Drive - Technical Problem

Attendees of the 2010 APPEA Conference in Brisbane may have received a copy of the Acreage Release information package on USB Jump Drive. This USB has an incorrect link for the document referring to the Northern Carnarvon Basin Regional Geology PDF.

Users can access this document from the Acreage Release website at www.petroleum-acreage.gov.au or by navigating to geology\carnarvon\documents on the USB drive. The Department apologises for any inconvenience this error may have caused.

2011 Release Area Nominations

The area nomination process for the 2011 Offshore Petroleum Exploration Acreage Release opened on 17 May 2010 and will close on 31 August 2010.

The 2010 Acreage Release saw a high level of industry participation in the nomination process, with over 62 areas nominated to supplement areas already selected for inclusion by the Australian Government. As a result, all areas included in the 2010 Acreage Release, with the exception of the Mentelle Basin, were underpinned by industry nominations.

To streamline the area nomination process for 2011, a fact sheet outlining the considerations taken into account in selecting areas and a nomination template have been introduced. Stakeholders are invited to nominate vacant (and soon to be vacant) offshore areas using the template, to be considered for release in 2011.

The fact sheet and nomination template are available on the 2010 Acreage Release information package and online at: www.petroleum-acreage.gov.au.

Although nomination of an area does not guarantee its inclusion, all nominations are considered seriously and are subjected to a rigorous assessment and short listing process. This may take into account factors such as:

- previous interest in, 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.

Please note that nominations are treated as "Commercial-in-Confidence" and should be submitted **electronically** to the Joint Authority at petroleum.exploration@ret.gov.au by **no later than 31 August 2010**.

Received nominations will be acknowledged by return email. It is the responsibility of the nominee to follow up if confirmation is not received.

New Exploration Permits Granted

Assessments from Round 1 of the 2009 Acreage Release are now complete. The following permits have been awarded:

WA-449-P (released as W09-1) in the Southern Browse Basin off Western Australia has been awarded to *Woodside Energy Ltd and Mitsui E&P Australia Pty Ltd*. The companies proposed a guaranteed work program of 2,000km of 2D seismic data reprocessing, 610km² of new 3D seismic surveying (including gravity and magnetics) and geotechnical studies to an estimated value of A\$5.42m. The secondary work program consists of one exploration well and geotechnical studies to an estimated value of A\$25.06m. There were no other bids for this area.

WA-447-P (released as W09-2) in the Southern Browse Basin off Western Australia has been awarded to *Woodside Energy Ltd and Mitsui E&P Australia Pty Ltd*. The companies proposed a guaranteed work program of 1,000km of 2D seismic data reprocessing, 2,010km² of new 3D seismic surveying (including gravity and magnetics) and geotechnical studies to an estimated value of A\$14.58m. The secondary work program consists of one exploration well and geotechnical studies to an estimated value of A\$25.06m. There were no other bids for this area.

WA-445-P (released as W09-9) in the Rankin Platform, Carnarvon Basin off Western Australia has been awarded to *Finder No. 2 Pty Ltd*. The company proposed a guaranteed work program of 80km² of 3D seismic data reprocessing and geotechnical studies to an estimated value of A\$0.93m. The secondary work program consists of one exploration well and geotechnical studies to an estimated value of A\$35.35m. There were no other bids for this area.

WA-444-P (released as W09-10) in the Rankin Platform, Carnarvon Basin off Western Australia has been awarded to *Chevron Copernicus Pty Ltd, Mobil Australia Resources Company Pty Ltd & Shell Development (Australia) Pty Ltd*. The companies proposed a guaranteed work program of 80km² 3D seismic survey and geotechnical studies to an estimated value of A\$2.20m. The secondary work program consists of geotechnical studies to an estimated value of A\$0.80m. There were three other bids for this area.

WA-448-P (released as W09-12) in the Dampier Sub-Basin, Carnarvon Basin off Western Australia has been awarded to *Woodside Energy Ltd & Japan Australia LNG (MIMI) Pty Ltd*. The companies proposed a guaranteed work program of 243km² of 3D seismic data reprocessing, 243km² 3D seismic survey and geotechnical studies to an estimated value of A\$4.45m. The secondary work program consists of one exploration well, 243km² of 3D seismic data reprocessing and geotechnical studies to an estimated value of A\$31.38m. There were three other bids for this area.

WA-442-P (released as W09-Special) in the Petrel Sub-Basin, Bonaparte Basin off Western Australia has been awarded to *DMV International Ltd & Ansbachall Pty Ltd*. The companies proposed a guaranteed work program of 2D seismic data reprocessing, 100km² 3D seismic survey and one exploration well to an estimated value of A\$17.0m. The secondary work program consists of two exploration wells and 500km² 3D seismic survey to an estimated value of A\$35.0m. There were two other bids for this area.

WA-446-P (re-released as W08-1) in the Petrel Sub-Basin, Bonaparte Basin off Western Australia has been awarded to *Finder No. 1 Pty Ltd*. The company proposed a guaranteed work program comprising licensing of 1,000km reprocessed multi-client 2D data and 200km 2D seismic survey to an estimated value of A\$0.61m. The secondary work program consists of one exploration well and geotechnical studies to an estimated value of A\$6.3m. There were no other bids for this area.

WA-443-P (re-released as W08-13) in the Bedout Sub-Basin, Roebuck Basin off Western Australia has been awarded to *Carnarvon Petroleum Ltd*. The company proposed a guaranteed work program of 1,400km 2D seismic data reprocessing and geotechnical studies to an estimated value of A\$0.32m. The secondary work program consists of one exploration well, 300km 2D seismic survey and geotechnical studies to an estimated value of A\$16.6m. WA-443-P has been designated as a Frontier Area. There were no other bids for this area.

NT/P81 (released as NT09-Special) in the Petrel Sub-Basin, Bonaparte Basin off the Northern Territory has been awarded to *DMV International Ltd & Ansbachall Pty Ltd*. The companies proposed a guaranteed work program of one exploration well and 2D and 3D seismic data reprocessing to an estimated value of A\$17.5m. The secondary work program consists of two exploration wells and 500km² 3D seismic survey to an estimated value of A\$35.0m. There were two other bids for this area.

NT/P82 (released as NT09-1) in the Malita Graben, Bonaparte Basin off the Northern Territory has been awarded to *Magellan Petroleum (Offshore) Pty Ltd*. The company proposed a guaranteed work program of 3,000km of 2D seismic reprocessing, 100km 2D and 120km² 3D seismic surveying and geotechnical studies to an estimated value of A\$2.7m. The secondary work program consists of one exploration well and geotechnical studies and to an estimated value of A\$26.0m. There were no other bids for this area.

Offshore Petroleum Safety Regulatory Inquiry Draft Response for Consultation

Following the 3 June 2008 gas explosion at Apache Energy Ltd's facilities on Varanus Island in Western Australia, the Minister for Resources and Energy, the Hon Martin Ferguson AM MP announced, on the 9 January 2009, a joint inquiry with the Western Australian Government. The Offshore Petroleum Safety Regulatory Inquiry which was led by Mr Kym Bills and Mr David Agostini, was to focus on the effectiveness of Australia's offshore petroleum safety regulatory regime and the role of the regulators in relation to the gas pipeline rupture at the Apache Energy Ltd's operated facilities on Varanus Island.

Following legal action, the original Terms of Reference of the Inquiry were altered and subsequently two reports were prepared for the Commonwealth on better practice regulation and role of the National Offshore Petroleum Safety Authority (NOPSA) and improving the interface between NOPSA and the Australian Maritime Safety Authority (AMSA). The two reports, *Better practice and the effectiveness of NOPSA*, and *Marine Issues* were released by Minister Ferguson at the 9th meeting of the Ministerial Council on Mineral and Petroleum Resources (MCMPR) on 9 July 2009. A separate report has been prepared for the Western Australian Government, which is yet to be made public.

The Government has drafted a Response for Consultation, addressing the two reports and including a response to the June 2008 *Review of NOPSA Operational Activities*, which was tabled in Parliament in June 2008. The Draft Response for Consultation is available on the Department's web site at:

http://www.ret.gov.au/resources/upstream_petroleum/offshore_petroleum_safety/Pages/OffshorePetroleumSafety.aspx.

In finalising the Government's response stakeholder input is being sought to determine the practical implications of the recommendations and to understand any concerns that stakeholders may have with implementation. The Draft is open for stakeholder input until 25 June 2010.

The Government has already acted on some of the recommendations in the reports, including:

- Amendments are currently before Parliament in the Government's *Offshore Petroleum and Greenhouse Gas Storage Legislation Amendment (Miscellaneous Measures) Bill 2010*, which among other matters seeks to enhance safety and integrity regulation.
- the enactment of an amendment which provides a wide-ranging incident investigation power within the *Offshore Petroleum and Greenhouse Gas Storage Act 2006*. This power enables the responsible Commonwealth Minister to appoint a Commissioner to conduct a Commission of inquiry into the operational, human and regulatory factors where a significant offshore petroleum or greenhouse gas incident or a 'near miss' has occurred. The Minister for Resources and Energy used this power in November 2009 when he appointed Mr David Borthwick AO PSM as the Commissioner to conduct a Commission of inquiry into the uncontrolled release of oil and gas from the Montara Wellhead Platform in the Timor Sea.
- Further, the recommendations of the *Marine Issues* report and Recommendation 2 of the Operational Review which are specific to the consequences of the disapplication of the *Navigation Act 1912* and its inspectorate function under the *Occupational Health and Safety (Maritime Industry) Act 1993*, from the *Offshore Petroleum and Greenhouse Gas Storage Act 2006*, are being addressed in conjunction with the re-write of the *Navigation Act 1912*. As part of the re-write of the *Navigation Act 1912*, the Department of Resources, Energy and Tourism is working closely with the Department of Infrastructure, Transport, Regional Development and Local Government and AMSA to address any unintended consequences of the disapplication. This work is on-going and stakeholder input on the issues raised in the Inquiry reports and the Operational Report are welcome.

The consultation period will close on 25 June 2010. Responses and comments on the Government's Draft Response should be directed to Kristina Anastasi, Manager, Environment, Safety and Security Section on (02) 6276 1490 or by email on kristina.anastasi@ret.gov.au.

NOPSA Board Appointments

On 19 March 2010, the Minister for Resources and Energy, the Hon Martin Ferguson AM MP, made several appointments to the NOPSA Board:

Mr Keith Spence, former Executive Vice President Enterprise Capability for Woodside Petroleum, was appointed as Chair of the NOPSA Board for a period of three years, part-time. In making the appointment, Minister Ferguson noted that, Mr Spence brings to the Board and NOPSA strong leadership qualities and extensive knowledge of the offshore petroleum industry, including a sound understanding of the legislative and regulatory regime more generally. Mr Spence retired from Woodside Petroleum in 2008 after 14 year of tenure in top executive positions in the company.

Dr Jan Hayes has also been appointed as member to the NOPSA Board for a period of three years, part-time. Dr Hayes is the current Director of Halcyon Risk Management and has extensive experience in matters relating to risk management and assessment of organisations and companies operating in high hazard environments.

The Ministerial Council on Mineral and Petroleum Resources has also recently endorsed the proposed appointment of Mr Michael Large as a member of the NOPSA Board for a period of three years part-time to fill the final vacancy on Board. Mr Large has extensive experience as an engineer in the maritime industry, including the offshore petroleum industry.

Over the coming year, the Board will be involved in providing advice and assisting in the implementation of the recommendations arising from the safety regulatory reports currently before Government, including the outcomes from the Montara Commission of Inquiry, which is presently underway.

Amendments to Safety Regulations under the *Offshore Petroleum and Greenhouse Gas Storage Act 2006* (OPGGSA)

On 7 June 2010, the *Offshore Petroleum (Safety) Amendment Regulations 2010 (No.1)* and *Offshore Petroleum and Greenhouse Gas Storage (Safety Levies) Amendment Regulations 2010 (No.1)* were registered on the Federal Register of Legislative Instruments (www.frli.gov.au).

The *Offshore Petroleum (Safety) Regulations 2009* (Safety Regulations) are amended to incorporate all greenhouse gas related activities, thereby making them dual purpose. They are therefore re-named the *Offshore Petroleum and Greenhouse Gas Storage (Safety) Regulations 2009*.

The *Offshore Petroleum and Greenhouse Gas Storage (Safety Levies) Regulations 2004* (Levies Regulations) are amended to allow NOPSA to work with operators planning to use new technology in new projects from an early stage in the design process. Previously this was not possible because the definition of a proposed facility assumed that construction for the project had already begun; and therefore NOPSA (which operates on a cost-recovery basis) had no regulatory mechanism to recoup costs associated with assessment of such a safety case. The amendments provide for a voluntary process of early engagement under the existing safety case regime provided for by the OPGGSA.

The Safety Regulations are also amended to enable NOPSA to engage with an operator early in the safety case development process for projects employing new technology for a facility. This is achieved by providing that a safety case may be submitted to NOPSA initially without an agreed scope of validation (in specific circumstances). Additional technical amendments are made to the Regulations; the details of which may be found within the Explanatory Statement, which is available at www.frli.gov.au.

Consolidation of Regulations Near Completion

The consolidation of the third and final set of regulations (Resource Management and Administration Regulations) under the *Offshore Petroleum and Greenhouse Gas Storage Act 2006* is well underway, with consultation on the second draft of the regulations to commence in late June.

This draft will reflect the feedback received in the last consultation round held in January, with stakeholders again given the opportunity to comment. Following this second round of consultation, the regulations will be revised before finalisation, and come into force by the end of 2010.

The final set of regulations incorporates a number of operational regulations and standing directions under the Act, including those related to pipelines, well operations, data management, field development, the petroleum regulations of 1985 and the remaining operative clauses in the Schedule of Specific Requirements.

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This occasional newsletter was prepared by the Exploration Team, Resources Division, Department of Resources, Energy and Tourism, Canberra, Australia.

Postal Address: GPO Box 1564, Canberra ACT 2601, Australia
E-mail: petroleum.exploration@ret.gov.au
Website: www.ret.gov.au/petexp
Telephone: +61 2 6213 7920 (Marita Sloan)
Facsimile: +61 2 6213 7950