EXPLORATION PERMIT GUIDELINE: ASSESSMENT OF BID AND RENEWAL APPLICATIONS


Prepared by the Commonwealth Department of Resources, Energy and Tourism

Effective 1 January 2012

PLEASE NOTE: as of 1 January 2012 the National Offshore Petroleum Titles Administrator (NOPTA) is the first point of contact on all titles administration matters relating to offshore petroleum and greenhouse gas storage.

PURPOSE
This guideline sets out the criteria followed by the Joint Authority in assessing applications for exploration permits made under Section 104, and for renewal of existing exploration permits made under Section 119, of the Offshore Petroleum and Greenhouse Gas Storage Act 2006. It is anticipated the Guideline will be amended from time to time.

This Guideline is available online at www.petroleum-acreage.gov.au and forms part of the annual Offshore Petroleum Exploration Acreage Release information package available at the above address or by emailing Petroleum.Exploration@ret.gov.au. This guideline is also available at www.nopta.gov.au.

1. OVERVIEW
1.1. In awarding an exploration permit, or in assessing an application to renew an exploration permit, the Joint Authority must be satisfied that the applicant has developed an exploration strategy and work program that will significantly advance the assessment and understanding of the petroleum potential of the permit area.

1.2. The strategy must be underpinned by a sound technical assessment of the permit area, along with evidence of the technical and financial competence of the applicant to facilitate the proposed work program.

1.3. Consideration will also be given to any past performance issues, either within Australian jurisdictions or internationally, that may adversely impact on the ability of the applicant to undertake the proposed work program.

2. EXPLORATION STRATEGY & WORK PROGRAM
2.1. In awarding an exploration permit, the Joint Authority seeks to select the work program bid most likely to achieve the fullest assessment of the petroleum potential within the permit area in the primary work program, recognising the essential role of wells in the discovery of petroleum.

2.2. Work programs proposed in bids must significantly advance the exploration status of the area. Work inferior to that already carried out in an area will not be regarded as advancing exploration effort.
2.3. Work program bids will be assessed taking account of the following criteria:
   
   2.3.1. The number and timing of exploration wells to be drilled, provided that there is an adequate supporting program of geological and geophysical work.
   
   2.3.2. The amount, type and timing of seismic surveying to be carried out.
   
   2.3.3. Other new surveying, data acquisition and seismic reprocessing to be carried out.
   
   2.3.4. The amount, type and timing of any purchasing or licensing of existing data.
   
   2.3.5. Significant appraisal work over any previous petroleum discoveries within the permit area.
   
   2.3.6. The type, scope and objectives of the geotechnical studies proposed within the permit area.
   
   2.3.7. The extent to which the applicant’s technical assessment supports the amount of seismic surveying and the number and conceptual targets of wells proposed in the application.

2.4. In the event that a winning applicant cannot be chosen on the basis of the primary work program, the amount and timing of work proposed under the secondary work program will be assessed against the above criteria.

2.5. Applicants will be expected to have taken into account all relevant information and any special notices (such as environmental protection, defence and fisheries matters, access restrictions etc) applying in permit areas. Details known to the Joint Authority, at the time of release, are included in the annual *Offshore Petroleum Exploration Acreage Release* (Acreage Release) information package.

3. MINIMUM ACCEPTABLE WORK PROGRAM

3.1. The minimum acceptable bid must be credible, coherent and supportable. It should be able to be pursued on a dry hole basis. The early elements of the program should be sufficient to enable the later elements to proceed. If there is no current lead or prospect identified, there must be sufficient geochemical and geophysical surveys, seismic reprocessing and studies, to enable a lead or prospect to be identified in the permit area, and be brought to a drillable status.

3.2. The minimum acceptable bid for an area will vary depending on the size of the area and its perceived prospectivity. Generally, it is expected that the primary work program will include at least a significant amount of new seismic surveying and/or wells, with at least one well is normally expected to be proposed within the six years of the permit term. It is also expected that the secondary work program will include substantial operational activities that will significantly advance exploration of the permit area. The challenges of exploring in frontier areas may be reflected in the Joint Authority’s consideration of the minimum acceptable work program bid for a frontier permit. However:

   3.2.1. Where extensive non-exclusive seismic data or significant reprocessed seismic data (normally from field tapes) are available over an area, it would generally be expected that the primary work program would include at least the licensing of a significant amount of those data, followed by a well or wells.

   3.2.2. Where an area is fully covered by 3D seismic data, substantial reprocessing of the data may form a substantial part of proposed primary work program commitments. The reprocessing would normally be expected to be from field tapes and to utilise techniques not previously undertaken on seismic data acquired within the permit.

3.3. The above guidance on minimum acceptable bids will also be applied by the Joint Authority when considering applications for five year renewal terms for permits.
4. TECHNICAL COMPETENCE

4.1. An applicant must satisfy the Joint Authority of its technical competence to undertake the proposed work program, including, but not limited to, the technical capacity and experience of key personnel and/or details of sub-contractors.

4.2. Where a third party provider will be used to undertake core elements of the primary work program, evidence of conditional agreements, or similar initial consultations, should be provided.

5. FINANCIAL COMPETENCE

5.1. An applicant must satisfy the Joint Authority of its financial competence to undertake its proposed work program, including evidence of the likelihood that the applicant will continue to have the ability to attract outside funding or have sufficient financial resources to meet the requirements of the proposed work program.

5.1.1. This may include consideration of work program commitments in other resources titles in which the applicant has a financial interest.

5.1.2. Details of financial resources including, but not limited to:
- net assets;
- debt/ equity ratio; and
- net cash flow

5.2. Where applicable, details on the future viability of any consortium lodging an application, including evidence that a satisfactory Joint Operating Agreement has been or can be reached, should be provided.

6. PAST PERFORMANCE

6.1. The applicant’s standing with the Joint Authority, in relation to the past performance in the previous five (5) years, will be taken into consideration when assessing the bid.

6.2. This would apply particularly in the situation where one or more of the applicants were participants in permits that had been cancelled due to a default in meeting work program commitments and where no agreement to maintain good standing had been reached. Information on ‘Good Standing Arrangements’ can be found in the Permit Conditions and Administration guideline.

7. ASSESSMENT PROCESS

7.1. Applications must be compliant with the requirements of the Gazette Notice inviting bids for release areas and meet the expectations of the Applications for Exploration Areas Guideline.

7.2. Applications for an area will be assessed by NOPTA, who will provide advice to the relevant Joint Authority.

7.3. If NOPTA deems it necessary to clarify the content of the application, supplementary written information may be sought from the applicant. The applicant may also be invited to attend an interview.

7.3.1. Please note that the composition and timing of the work program may not be amended through the provision of additional information and other fundamental changes to the original application will not be accepted.

7.4. In the event that a winning applicant cannot be determined on the basis of the information contained in the written application and provided during interview, the two or more applicants that the Joint Authority considers as equally deserving of the grant of the permit,
will be invited to submit supplementary written proposals for additional work and expenditure as a basis for the selection of a successful applicant.

8. **REFUSAL TO GRANT A PERMIT**

8.1. Applicants should note that the *Offshore Petroleum and Greenhouse Gas Storage Act 2006* provides that the Joint Authority may refuse to grant a permit to an applicant. While the Act does not specify the grounds for refusing to grant a permit, they may include circumstances where:

8.1.1. The application does not provide a compliant application (see *Requirements of Bid and Renewal Applications Guideline*).

8.1.2. The work program proposed is inferior to that of a competing bid.

8.1.3. The work program bid is inadequate to significantly advance the exploration status of the area.

8.1.4. The work program is not supported by a sound technical assessment.

8.1.5. The Joint Authority is not satisfied that the applicant possesses the financial or technical competence or capacity to successfully facilitate the work program.

8.1.6. The Joint Authority is not satisfied that, on the basis of past performance, the applicant will comply with permit conditions.

9. **RE-RELEASE OF ACREAGE**

9.1. The re-release of an area will be at the discretion of the Joint Authority. However, it is generally intended that any area that does not attract a successful bid will be re-released about two months after the original closure date for applications for that area. The re-released areas will be open for bidding for about four months. Whenever possible, the closure date for applications for re-released areas will coincide with the next closure date under the normal acreage release process. Areas will only be re-released once.

9.2. The re-released areas will be open to all interested bidders under the work program bidding system. Re-released areas will be advised through a notice in the relevant government gazette and an article in Australian Petroleum News, which is available at [www.petroleum-acreage.gov.au](http://www.petroleum-acreage.gov.au) or by emailing Petroleum.Exploration@ret.gov.au.

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<td>November 2011</td>
<td>4</td>
<td>Updated to reflect changes to OPGGSA—transfer to NOPTA. Slight Amendments to the financial requirements (paragraph 5.1.2)</td>
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<td>November 2010</td>
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<td>Wholesale re-write to improve clarity of Joint Authority expectations</td>
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