

# **Operational policy**

## **Application for declaration of a Potential Commercial Area**

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## Application

This policy relates to *Petroleum and Gas (Production and Safety) Act 2004*, with respect to potential commercial areas. The principles of this policy may also be applied to the Petroleum and Gas (General Provisions) Regulation 2017.

### Important Note:

PCA applications submitted after the date the policy is published will be required to comply with the requirements of this policy.

## Purpose

The purpose of this policy is to provide guidance and set out the principles to be followed with respect to an application for the declaration of a potential commercial area within the area of an authority to prospect under s. 89 of the *Petroleum and Gas (Production and Safety) Act 2004*.

This policy is written to:

- provide guidance and clarity to both applicants and departmental officers
- promote consistency of permit administration and regulation across the Act
- ensure that key objectives of the legislation are achieved
- promote the purpose of the legislation
- increase the efficiency of processing permit applications and requests.

The information provided in this policy **does not limit the exercising of discretion** nor does it override legislative requirements however it reflects current practices within the department which may change from time to time. All changes will be published through a revised version of this policy.

## Policy Determination

For the Minister to declare an area to be potentially commercial the application must comply with s.89 of the *Petroleum and Gas (Production and Safety) Act 2004* (the P&G Act) and the Minister must be satisfied the requirements of s.90 of the P&G Act have been met. The following factors are relevant:

### 1. Demonstrate the area is not more than is needed (s.90(1)(a))

The Minister may declare an area to be a potential commercial area (PCA) only if satisfied that the area proposed is reasonable, for the resource type being targeted, to cover the extent of the natural underground reservoir.

The maximum area of a PCA is 75 sub-blocks and must form a single parcel of land. This provision does not restrict the ability of the tenure holder to make contiguous PCA applications each comprising up to 75 sub-blocks.

A PCA can be sought even if part of the area of the authority to prospect (ATP) is already a potential commercial area. This would allow a new PCA application to be lodged, for example, three months before the expiry of the declared PCA.

## **2. Demonstrate the area is likely to be commercially viable through a commercial viability report (s.89(4)(a))**

The commercial viability report (see s.231 of the P&G Act) will be used by the Minister to satisfy the requirement that petroleum production in the area to be declared, is not, and will not soon be, commercially viable, but it is likely to be viable within 15 years.

Some of the factors that may affect the commerciality of a project include:

- no viable markets have been identified for the resource;
- there is a lack of infrastructure necessary to commercially develop the resource
- commercial recovery is dependent on technology under development; or
- current and forecast economic conditions are not supportive of a commercially viable project.

The commercial viability report must include a statement indicating the factors affecting the commerciality of a project.

## **3. Include an evaluation program (s.89(4)(b))**

The application must include an evaluation program. In addition to complying with the requirement set out at s. 89(4)(b) of the Act, the evaluation program should articulate how it will overcome any factors inhibiting the commercial viability of the project proposed for the PCA.

The evaluation program should include a schedule with periodic reporting (for example every five years) on developments in reaching commercial viability and/or updates to the evaluation program. This will provide the Minister with general information on how activities are progressing and whether a tenure holder is moving closer towards development of the resource.

Once a PCA is declared, the evaluation program becomes part of the work program (s.91 (1) of the P&G Act). Compliance with the work program is a condition of the relevant ATP (s.78 of the P&G Act). The holder will need to complete the evaluation program in order to be compliant with the relevant ATP.

## **4. Determining the term of a declared Potential Commercial Area (s.91(1))**

A PCA continues in force for 15 years or for a shorter term. In determining whether to decide a shorter term, the Minister will consider the timing and circumstances around a

petroleum discovery, which may be by a current or past tenure holder, and the content of the commercial viability report.

The term of the PCA will take effect from the date the declaration is made.

#### **5. Petroleum lease over the same area of a PCA application**

The Minister may decide to refuse a PCA application if a petroleum lease (PL) application has been lodged over the same land. Applicants will be invited to withdraw the PCA application if they obtain a PL in the interim.

#### **6. Assessing compliance with the relevant ATP (s.89(4)(c))**

The application for the PCA must provide information about compliance or non-compliance with the conditions of the ATP. In deciding the PCA application and whether a tenure holder has substantially complied with the relevant ATP under section 90(3) of the Act the Minister will consider whether substantial compliance has been achieved at the date the PCA application was lodged, not the date the application is being decided.

**Andrew Cripps MP**

**Minister for Natural Resources and Mines**

**July 2014**

#### **Enquiries:**

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