

Operational Policy

Application for declaration of a Potential Commercial Area

MIN/2015/1318
Policy number 2/2014
30 June 2019
Version 1.02

Purpose

This policy provides guidance to industry on the requirements to support an application for the declaration of a potential commercial area (PCA) within the area of an authority to prospect (ATP) under section 89 of the *Petroleum and Gas (Production and Safety) Act 2004* (P&G Act).

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 contained in this policy does not override legislative requirements, and reflects current practices within the department. These practices may change from time to time with all changes to 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 in 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 in order to cover the extent of the natural underground reservoir.

The maximum area of a PCA is 75 sub-blocks and must form a single land parcel. This provision does not restrict the tenure holder from making 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 to reach commercial viability and/or updates to the evaluation program. This will provide the Minister with information on how activities are progressing and whether a tenure holder is moving closer towards developing 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 comply 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 ATP conditions. In deciding the PCA application and whether a tenure holder has substantially complied with the relevant ATP under section 90(3) 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.

Availability:	External
Location	Business Industry Portal
Owner:	Georesources Division
Date of this Version	30 June 2019
Review Date	30 June 2021
Approving Authority	Deputy-Director General
Related documents	
Contact:	<p>For help and information contact the Petroleum Assessment Hub Phone: (07) 3199 8118 Email: petroleumhub@dnrme.qld.gov.au</p> <p>For technical support contact the MyMinesOnline Helpdesk. Telephone: +61 7 3199 8133 Email: mines_online@dnrm.qld.gov.au</p> <p>8.30am – 4.30pm (AEST) Monday to Friday on Queensland business days.</p>

Disclaimer

The purpose of this policy is to provide a framework for consistent application and interpretation of the legislation administered by the department. Policies may be applied flexibly where individual circumstances require an alternative application of policy. Where this policy, or part of this policy, is inconsistent with relevant legislation, the legislation will prevail to the extent of the inconsistency. While this document has been prepared with care it contains general information and does not profess to offer legal, professional or commercial advice. The Queensland Government accepts no liability for any external decisions or actions taken on the basis of this document. Persons external to the Queensland Government should satisfy themselves independently and by consulting their own professional advisors before embarking on any proposed course of action.