

Practice Direction

Practice Direction 02/2013

Production and/or storage testing

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This practice direction forms part of the practice manual maintained by the Chief Executive under S202 of the Mineral and Energy Resources (Common Provisions) Act 2014 (the MERC Act). It provides directions about what information, documents or instruments a person must give, the format a person must supply the information in, and how or when the requested information must be given under this legislation.

Application

This practice direction outlines the requirements for ATP and PL production and storage testing:

- Sections 71A-71C and 150A-150D of the *Petroleum & Gas (Production and Safety) Act 2004* (P&G Act);
- The clause containing the condition that allows for production testing under the authority to prospect for tenures granted under the *Petroleum Act 1923* (1923 Act).

Purpose

This practice direction details the information to be provided when:

1. a holder of an authority to prospect, or a petroleum lease administered under the P&G Act
 - conducts production testing and/or storage testing
 - is seeking approval from the Minister to conduct production testing and/or after the end date
2. a holder of an authority to prospect administered under the 1923 Act
 - is seeking approval from the Minister to conduct production testing¹.

New provisions in the P&G Act provide that an ATP holder and a PL holder may carry out testing for petroleum production and storage on a petroleum well, that intersects a natural underground reservoir, provided the holder is testing for petroleum production or storage from the intersected natural underground reservoir.

The ATP and PL holders may carry out production or storage testing on the petroleum well until the 'end date'² for the production testing. After this period, the approval of the Minister must be obtained.

Notice of testing

The chief executive must be advised about ATP and PL petroleum production or storage testing that is being carried out, by the holders, within the area of the holder's authority to prospect or petroleum lease. To advise the chief executive, a notice is required to be lodged about the commencement of the production testing, within 20 business days from the commencement of the production testing. The notice must contain the information prescribed by regulation.

Holder must notify the chief executive if testing stops

If an ATP or PL holder stops carrying out any production testing or storage testing within the area of the authority or petroleum lease for a continuous period of 14 days or more, the holder must give the

¹ The 1923 Act does not provide for storage testing of a well in the area of an ATP administered under this Act. Unless the Minister's approval has previously been obtained pursuant to section 56(2) of the 1923 Act, no storage of petroleum and consequently, no storage testing, may be carried out for a well in the area of a PL administered under this Act

² See definitions for end date

chief executive a notice, containing the information prescribed by regulation, in relation to the testing within 20 business days after the testing stops.

Approval

A 'Request for Minister to approve production testing or extend production testing after the end date' must be completed and submitted to the department for Ministerial approval. The request form may be copied and used when lodging these requests (provided that the current version of the approved form is used for the request). If approved the initial period for production testing under a 1923 Act ATP will be:

- if the petroleum well intersects a natural underground reservoir containing coal seam gas, shale gas, tight gas or basin-centred gas and the testing relates to petroleum produced from the reservoir - the day that is 13 months from when the testing first starts; or
- otherwise - the day that is 6 months from when the testing first starts.

NOTE:

If the stimulation activity, proposed to be carried out as part of production testing, is hydraulic fracturing, a 'Notice of intention to carry out hydraulic fracturing activities' must be lodged at least 10 business days before the hydraulic fracturing activities are carried out.

Information to accompany request

Any request for Ministerial approval to carry out production testing (under a 1923 Act ATP) or request to carry out production or storage testing after the end date (P&G Act ATP or PL) must include the following:

For ATP production testing:

- (a) The identifying number of the ATP;
- (b) The name and identifying number of the petroleum well for which the ATP production testing is being carried out;
- (c) When the ATP production testing commenced;
- (d) For the natural underground reservoir and reservoir formation (or geological unit) from which the ATP production testing is being carried out:
 - (1) The name of the formation/unit,
 - (2) The formation/unit type (for example, conventional, tight gas, coal seam gas, shale gas),
 - (3) The top and bottom depths, in metres, of the formation/unit being tested;
- (e) If stimulation of the petroleum well is proposed (or is being carried out) as a part of production testing, what type/method of stimulation activity is proposed to be (or is being) carried out;
- (f) If petroleum, in a gaseous state, produced as an unavoidable result of ATP production testing has been used, how has it been used (for example, one or more of the following: commercially for the ATP, for an authorised activity for the ATP, flaring, venting, processing);
- (g) If petroleum, in a gaseous state, produced as an unavoidable result of ATP production testing is proposed to be, or is being transported off the ATP (**administered under the P&G Act**) by a pipeline, details about the pipeline as follows:
 - (1) If the pipeline:
 - (i) is subject to an application for, or granted, pipeline licence under the *Petroleum and Gas (Production and Safety) Act 2004*, the number of the pipeline licence,
 - (ii) otherwise, the end points of the pipeline and the contiguous petroleum tenure through which the pipeline crosses,

- (2) If the pipeline crosses an area of any of the following, and any of these was granted before the pipeline was constructed, the type and number of the lease:
 - (i) geothermal production lease under the *Geothermal Energy Act 2010*, or
 - (ii) GHG injection and storage lease under the *Greenhouse Gas Storage Act 2009*, or
 - (iii) granted mining lease under the *Mineral Resources Act 1989*;
- (h) If the Minister approves the carrying out of ATP production testing after the end date – The planned use of any petroleum, in a gaseous state, produced as an unavoidable result of ATP production testing (for example, one or more of the following: commercially for the ATP, for an authorised activity for the ATP, flaring, venting, processing); and
- (i) With regard to (f) and (h) directly above, and if no petroleum lease (PL) application has been made, that includes the area over the petroleum well detailed under (b), above –
 - (1) The reason why no PL application has been made, and
 - (2) The rationale and evidence supporting the rationale, for continuing ATP production testing, including what would be a successful outcome of the ATP production testing that would allow for the making of a PL application over an area that includes the location of the well.

For ATP storage testing or PL production/storage testing

All

- (a) The identifying number of the ATP/PL;
- (b) The name and identifying number of the petroleum well for which the ATP/PL production/storage testing is being carried out;
- (c) When the ATP/PL production/storage testing commenced;
- (d) For the natural underground reservoir and reservoir formation (or geological unit) where the ATP/PL production/storage testing is being carried out:
 - (1) The name of the formation/unit,
 - (2) The field/reservoir name,
 - (3) The top and bottom depths, in metres, of the formation/unit being tested;

Storage

- (e) The substance or substances, if any, that were used for ATP/PL storage testing to the end date for storage testing (for example, air, another gas, water);
- (f) If the Minister approves the carrying out of ATP/PL storage testing beyond the end date – The substance or substances, if any, that are to be used for ATP/PL storage testing (for example, air, another gas, water); and
- (g) If no petroleum lease (PL) application has been made, that includes the area over the petroleum well detailed under (b), above –
 - (1) The reason why no PL application has been made, and
 - (2) The rationale and evidence supporting the rationale, for continuing ATP storage testing, including what would be a successful outcome of the ATP storage testing that would

allow for the making of a PL application over an area that includes the location of the well.

Production

- (h) If stimulation of the well is proposed (or is being carried out) as a part of production testing, what type/method of stimulation activity is proposed to be (or is being) carried out;
- (i) If petroleum in a gaseous state, is produced as an unavoidable result of PL production testing has been used, how has it been used (for example, commercially under the PL, flaring, venting); and
- (j) If the Minister approves the carrying out of PL production testing beyond the end date – The planned use of any petroleum in a gaseous state, produced as an unavoidable result of PL production testing (for example, commercially under the PL, for an authorised activity for the PL, flaring, venting).

Other applicable provisions

Conditions

1. If the Minister gives approval for production to be carried out or extended after the end date the Minister may give the approval on the conditions the Minister considers appropriate.

General compliance provisions

2. In undertaking production testing or extended production testing holders must comply with the *Environmental Protection Act 1994* and environmental authority provisions issued by Department of Environment and Heritage Protection.

Restriction on flaring or venting

3. Sections 72 and 151 of the P&G Act and section 74M of the 1923 Act provide that an ATP/PL holder must not flare or vent petroleum in a gaseous state, produced under the ATP/PL, unless the flaring or venting is authorised under one of these sections.
4. These provisions also outline the preferred hierarchy of use for gas released during production testing as follows:
 - commercialisation if feasible
 - flaring if it is not technically or commercially feasible to use it
 - venting if flaring is not technically practicable.

Royalties

5. Royalty is payable if the petroleum produced during testing is used commercially. The exemption from the payment of petroleum royalty, for petroleum in a gaseous state produced as an unavoidable result of ATP/PL production testing, only applies if this petroleum is flared or vented for the period and amount detailed under section 591A of the P&G Act.

Production testing report

6. Section 44 of the Petroleum and Gas (General Provisions) Regulation 2017 provides that if production testing for a petroleum well is carried out under a petroleum tenure, a production testing report about the production testing must be submitted to the Chief Executive.
7. Full details about the content requirements of the production testing report, and when this report must be submitted, are also detailed in these sections of these regulations.
8. The Chief Executive has approved that the production testing report must be submitted electronically through QDEX (Queensland Digital Exploration reports system).
9. The digital format that the data, contained in the production testing report, must be presented as is outlined in Guidelines for the submission of digital company reports available from www.business.qld.gov.au/industry/mines.

Non-compliance

Failure to comply with this practice direction may result in non-compliance action being taken under sections 790 and 791 of the P&G Act and sections 80T and 80U of the 1923 Act.

It is an offence to provide false and misleading information under section 813 of the P&G Act and section 116 of the 1923 Act.

Rights of appeal

Persons aggrieved by an administrative decision made under an enactment may, within 28 days of notification of the decision, apply in writing to the decision-maker for a statement of reasons under Part 4 of the *Judicial Review Act 1991*.

Submission of application

Registrar
Petroleum, Assessment Hub
Mining and Petroleum Operations
Department of Natural Resources and Mines
16th Floor, 61 Mary Street
PO Box 15216 CITY EAST QLD 4002
Telephone: +61 7 3199 8115

Email: PetroleumHub@dnrm.qld.gov.au

Definitions

‘Approved form’ means the department’s form titled “Request for Minister to approve production testing or testing after the end date”.

‘Authority to prospect’ means a granted authority to prospect under the 1923 Act or P&G Act.

‘Petroleum lease’ means a granted petroleum lease under the P&G Act.

end date

(a) for ATP production testing or PL production testing for a petroleum well means—

(i) if the petroleum well intersects a natural underground reservoir containing coal seam gas, shale gas, tight gas or basin-centred gas and the testing relates to petroleum produced from the reservoir— the day that is 13 months from when the testing first starts or

(ii) otherwise—the day that is 6 months from when the testing first starts; or

(b) for ATP storage testing or PL storage testing, means the day that is 6 months from when the testing first starts.

Legislation

Petroleum Act 1923

- The clause containing the condition that allows for production testing under ATP administered under the 1923 Act states that “the holder may produce and dispose of petroleum from the said lands only to the extent approved by the Minister in writing”.
- Consequently, any testing on a petroleum well within the area of a 1923 Act ATP that produces petroleum (production testing), may only be carried out with the approval of the Minister.

Petroleum and Gas (Production and Safety) Act 2004

- Sections 73 and 152 of the *Petroleum and Gas (Production and Safety) Act 2004* (the P&G Act) provide that testing (production testing) may be carried out, for each petroleum well, in the area of an authority to prospect (ATP) or petroleum lease (PL).
- These sections also provide that testing may be conducted on each natural underground reservoir in the area of the ATP or PL for the storage of petroleum or a prescribed storage gas.

Version history

Version	Date	Comments
1.0	February 2013	Endorsed (Converted from Operational Policy 129)
1.1	July 2013	Version updated
2.0	September 2016	Updated to incorporate the MERCPC Act amendments
2.1	September 2017	Updated to include Petroleum General Provisions Regulation

Executive Director
Mining and Petroleum Operations
September 2017

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