

Potential commercial area application guideline

A guide about preparing and lodging a potential commercial area application under section 89 of the *Petroleum and Gas (Production and Safety) Act 2004*

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About this guideline

This guideline provides information about preparing and lodging a potential commercial area (PCA) application under section 89 of the *Petroleum and Gas (Production and Safety) Act 2004* (P&G Act).

Key information about PCAs

A PCA enables the holder of an authority to prospect (ATP) who has discovered petroleum or a natural underground reservoir suitable for the storage of petroleum, the opportunity to retain an interest in and later develop the discovery if it is not currently commercially viable.

A PCA is created by a declaration made under section 90 of the P&G Act. ATP holders can apply under section 89 of the P&G Act for a declaration to be made.

The PCA application process forms part of a broader framework established by the P&G Act to facilitate and regulate the carrying out of responsible petroleum activities and the development of a safe, efficient and viable Queensland petroleum industry. When processing a PCA application the department considers a range of factors, including whether the proposed PCA will optimise the State's resources.

A PCA is not to be used as a means of retaining an interest in an ATP if:

- a discovery of petroleum or a natural underground reservoir for storage has not been made; or
- a discovery has been made but it does not have the potential to be commercially viable.

A PCA declaration can affect an ATP holder's relinquishment requirements under the P&G Act, and ATP renewal processes.

If a PCA is declared, the affected ATP holder must then comply with an evaluation program relating to the potential petroleum production or storage and associated market opportunities. Evaluation programs may require an ATP holder to complete appraisal activities (e.g. additional wells and production testing) and commercial studies to improve the understanding of the projects' commercial viability.

Table 1 contains information about how the issues discussed below relate to particular P&G Act requirements.

PCA application requirements

Who can apply?

An application for a PCA must be lodged by the holder of the ATP over which the PCA, if declared, will apply.

Application form

An application for a PCA must be made using the approved form.

The approved form can be lodged **electronically** using the [MyMinesOnline](#) electronic system, or a paper application form can be downloaded and submitted.

Application fee

An application for a PCA must be accompanied by the prescribed fee.

See the Petroleum and Gas (General Provisions) Regulation 2017 (Schedule 2, Part 1) for details of the current prescribed fee.

Size

An application for a PCA can be made for the whole or part of an ATP area.

There is no limit on the number of PCAs that can be declared for each ATP.

Applicants should note that:

- section 90(1) of the P&G Act requires the decision-maker for a PCA application to consider certain issues associated with size of the proposed PCA before making a decision on the application; and
- currently, section 90(2) of the P&G Act requires a declared PCA to form a single parcel of land.

Applicants should ensure the size of any proposed PCA is reasonable for the resource type being targeted and takes into account the extent of any relevant natural underground reservoir.

Term

A PCA can be declared for a period of up to 15 years.

The PCA application approved form asks applicants to nominate a potential term.

When nominating a potential term, applicants should consider their circumstances and apply for a term that is appropriate to allow for the commercialisation of the contingent resource.

Applicants should note that the decision-maker for a PCA application may declare a PCA for a lesser term than 15 years or for a lesser period than the potential term nominated by the applicant, if that is considered appropriate.

The decision-maker must consider the following matters when deciding to impose a term that is shorter than 15 years:

- when any petroleum discovery was made; and
- any commercial viability report or independent viability assessment for, or that includes, the proposed PCA.

The decision-maker may also consider other matters when making a decision about the appropriate term to apply. These may include, for example, the circumstances of the petroleum discovery and the contents of the reports and evaluation program submitted by the applicant with the PCA application.

Commercial viability report

A PCA application must include a report relating to the proposed PCA that meets the requirements in section 231 of the P&G Act for a commercial viability report (CVR) and is relevant to the circumstances of the proposed PCA.

This requirement does not apply if a relevant CVR or independent viability assessment is already held by the department which is relevant to the circumstances of the proposed PCA.

The report must demonstrate that a petroleum discovery has been made in the area of the proposed PCA. This is because a CVR must, among other things, identify each natural underground reservoir within the area the CVR relates to and give an estimate of the amount of petroleum in each reservoir. Information needs to be provided about the standards and procedures that are used to make those estimates.

The report must state whether, in the opinion of the ATP holder, production from the relevant petroleum resource or use of the relevant area's storage capability is currently commercially viable. If the ATP holder does not think those activities are currently commercially viable, the report must state whether, in the opinion of the ATP holder, the activities are likely to be commercially viable within the next 15 years.

Applicants should note that section 90(1) of the P&G Act requires the decision-maker for a PCA application to be satisfied, before making a PCA declaration, that petroleum production or storage in the area to be declared, is not, and will not soon be, commercially viable, but is likely to become viable within 15 years.

The future commercial viability of a proposed PCA may be dependent upon a variety of factors, such as changes in technology to extract the petroleum, the development of infrastructure such as pipelines, or market opportunities. To enable an assessment of the conclusions expressed in the report, supporting data and analysis for the views expressed in the report must be provided. The information provided must cover relevant:

- technical and geological issues; and
- market and financial issues.

There is no requirement for the report to only address the relevant ATP holder's future development plans. An applicant should consider the need for the report to assess other potential development scenarios or pathways to market.

More detailed guidance for the preparation of a CVR to support a PCA application is set out in Tables 1 and 2 below.

Evaluation program

A PCA application must be accompanied by an evaluation program relating to the potential petroleum production or storage within the proposed PCA and associated market opportunities.

The applicant should articulate in the evaluation program how it will overcome any factors inhibiting the current commercial viability of the project proposed for the proposed PCA. The program may, for example, include additional exploration or testing to be undertaken in relation to the discovery.

It is recommended the evaluation program include a schedule with periodic reporting to the department (for example, every five years), with each report detailing the activities that have been carried out towards reaching commercial viability of the relevant project. This will provide the department with general information on the progress of the project and whether the ATP holder is moving closer towards the commercial development of the petroleum discovery.

It is the policy of the department that if a PCA application is part of a group, the applicant may also provide the department with a “field evaluation program” to inform the department about how the relevant PCAs interact. The field evaluation program would include the activities to be carried out within each PCA area and across the group to resolve the broader technical and commercial constraints of the project.

If a PCA is declared, the evaluation program becomes an additional part of the existing work program for the relevant ATP and must include work necessary to implement the evaluation program. Its requirements must also be included in any later work programs for the relevant ATP. Compliance with the work program is a condition of the ATP. Therefore, in order to be compliant with the relevant ATP, the holder will need to complete the activities detailed in the approved evaluation program for the ATP.

Compliance with the conditions of the authority to prospect

An applicant for a PCA must provide a statement about their compliance with the ATP’s conditions.

If there are any areas of non-compliance, the applicant must detail and explain the reasons for that noncompliance.

Applicants should note that the decision-maker for a PCA application must, when deciding the application, have regard to whether the conditions of the relevant ATP have been substantially complied with.

What if the PCA application requirements are not met?

If not all of the PCA application requirements are met, the department must consider whether it is still able to process the application.

If the PCA application does not substantially comply with the P&G Act's requirements for making the application, the department must refuse to receive or process the application.

If the PCA application substantially complies with the P&G Act's requirements for making the application, the department must make a decision about whether to allow the application to proceed.

If the decision-maker decides to refuse to receive or process a substantially compliant application, the applicant must be notified of that decision and the application fee must be refunded.

If the decision-maker decides to accept a substantially compliant application, the department will then consider what additional steps need to be taken to process and progress the application. For example, the department may:

- request further information that is relevant to the PCA application; or
- consider the need to obtain an independent viability assessment under the P&G Act.

Table 1 – Legislative requirements for potential commercial area applications

An application for a PCA should include a table of contents that references where each of the statutory requirements is addressed.

Legislative requirement – relevant to the application for a potential commercial area	Information to be provided	Linkage to Decision Criteria
Section 89(1) – the applicant is the holder of the ATP to which the proposed PCA applies	Provide the part of the relevant ATP to which the PCA is proposed to apply and all of its holders.	Section 842 – requirements for making an application Section 90(5) – a declaration may be made if the ATP has been continued in force under section 83 or 119 Section 94 – a declared PCA is still part of the relevant ATP
Section 89(2)(a) – the application is made in the approved form	Application lodged via the MyMinesOnline electronic system or by submitting a paper application form. The potential term of the proposed PCA must be nominated.	Section 842 – requirements for making an application Section 851AA – place or way for making applications or giving or lodging documents Section 92 – term of declaration
Section 89(2)(b) – the application is accompanied by the fee prescribed under a regulation.	Application fee as prescribed under - Schedule 2, Part 1 of the Petroleum and Gas (General Provisions) Regulation 2017	Section 842 – requirements for making an application
Sections 89(1), (3)(a) and 3(b) – the application is made over all or a stated part of the area of the authority to prospect	Specify the locality and area of the proposed PCA	Section 842 – requirements for making an application Section 90(1)(a) – the area is no more than is needed to cover the maximum extent of a natural underground reservoir identified in the PCA application supporting report. Section 90(2)(b) – the area declared must form a single parcel of land.
Section 89(5)(a) – the application must include a report for, or that includes, the proposed potential commercial area that – <ul style="list-style-type: none">• Meets the requirements under section 231 for a commercial viability report; and• Is still relevant to the circumstances of the	A complying report unless section 89(6) applies. See Table 2 for more information about the requirements of commercial viability reports.	Section 842 – requirements for making an application The Minister may declare an area the subject of the application to be a potential commercial area only if satisfied – Section 90(1)(a) – the area is no more than is needed to

Legislative requirement – relevant to the application for a potential commercial area	Information to be provided	Linkage to Decision Criteria
proposed potential commercial area.		cover the maximum extent of a natural underground reservoir identified in the report. Section 90(1)(b) – petroleum production or storage in the area to be declared is not, and will not soon be, commercially viable, but is likely to become viable within 15 years.
Section 89(5)(b) – the application must include an evaluation program for – <ul style="list-style-type: none">• Potential petroleum production or storage in the proposed potential commercial area; and• Market opportunities for potential production or storage.	A complying program.	Section 842 – requirements for making an application Section 91 – If the declaration is made, the evaluation program is taken to be an additional part of the existing work program for the authority to prospect. Section 53 - If the declaration is made, proposed later work programs must also include work necessary to implement the evaluation program.
Section 89(5)(c) – the application must include information about the compliance or noncompliance with the conditions of the authority.	<ul style="list-style-type: none">• Provide details on the ATP holder's compliance or noncompliance with the relevant ATP.	Section 90(3) – In deciding the application, regard must be had to whether the conditions of the relevant authority to prospect have been substantially complied with.

Table 2 – Commercial viability report requirements

Legislative requirement	Information to be provided
Section 231 – Required content for a commercial viability report.	
(1)(a) Identify each natural underground reservoir in the area the subject of the relevant report requirement;	<ul style="list-style-type: none"> • A map for each reservoir showing the reserve and resource limiting parameters (e.g. lowest closing contour, oil-water contact) for each natural underground reservoir. • This information should relate to ‘identified’ reservoirs (based on field exploration) not ‘potential’ reservoirs.
(1)(b) give an estimate of the amount of petroleum in each reservoir;	<ul style="list-style-type: none"> • Resources and reserves estimates by confidence category (for example proved, probable and possible). • Reference could also be made to petroleum in place as well as recoverable petroleum, if these align with the classification of contingent resources or petroleum discovery.
(1)(c) state the standards and procedures used to make the estimate;	<ul style="list-style-type: none"> • Estimates will generally be determined in accordance with the ‘Petroleum Resources Management System’ (the SPE Code) updated in June 2018 by the Society of Petroleum Engineers • If the estimate is determined in a way other than in complying with the requirements of ‘Petroleum Resources Management System’ (the SPE Code) updated in June 2018 by the Society of Petroleum Engineers, the details of the other way must be provided. • Sufficient information to validate the estimate. This could be a summary of key parameters (e.g. porosity, permeability, reservoir pressure, gas content and gas saturation). • Tabulated information with corresponding maps is acceptable. (This may have already been provided above in response to section 231(1)(a)).
(1)(d) state whether, in the opinion of the relevant petroleum tenure holder, it is commercially viable to produce or store petroleum in the area;	<ul style="list-style-type: none"> • Sufficient information to validate this opinion. This could include: <ul style="list-style-type: none"> • A summary of results of all drill stem tests conducted on wells within the area of the proposed PCA; • Well(s) that has/have produced petroleum at a rate that will justify the conclusion that commercial production of petroleum is possible. • If commercial production from a well has not been achieved, detailed reasons must be given as to why commercial production is considered possible; • A summary of results of any production or storage testing.
(1)(e) if the holder’s opinion is that it is not commercially viable to produce or store petroleum in the area—state whether, in the holder’s opinion, it will, within the next 15 years, be commercially viable to produce or store petroleum in the area;	<ul style="list-style-type: none"> • Sufficient information to validate this opinion. This could include: <ul style="list-style-type: none"> • Details of any alternative development scenarios or pathways to market that have been considered to commercialise the petroleum discovery; • Details of factors affecting the commercial viability to produce or store petroleum in the area; • Other reasons as to why the discovery is not currently commercially viable, (e.g. absence of infrastructure); • State why those factors are likely to change within 15 years.

Legislative requirement	Information to be provided
<p>(1)(f) give data, and an analysis of the data, that supports each opinion.</p> <p>(2) The supporting data and analysis must include—</p> <p>(a) technical data relating to the geology of, and natural underground reservoirs in the area; and</p> <p>(b) market and financial data relevant to the opinions.</p>	<ul style="list-style-type: none"> • For each natural underground reservoir in the proposed area of the PCA, provide <i>(if it has not already been provided at section 231(1)(c))</i>: <ul style="list-style-type: none"> ○ thickness of the natural underground reservoir; ○ porosity; ○ permeability; ○ reservoir pressure; ○ gas content; ○ gas saturation. • Composition of the petroleum (e.g. methane, ethane LPG); • Review of the market opportunity for the sale or storage of the petroleum – local markets or major industrial customers; • Estimate of the rate of petroleum production necessary for commercial production based on differing prices for the petroleum; • An assessment of the likelihood of these prices being achieved.

Document information

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Related documents: This guideline may be read in conjunction with the Operational Policy, MIN/2015/1318 Application for declaration of a potential commercial area.

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