

Coordination Arrangement Guideline

A guide about preparing a coordination arrangement for petroleum and gas production and coal mining.

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About this guideline

This guide provides information to assist the development of a coordination arrangement (CA) for petroleum and gas production and coal mining in the best interests of the State, having regard to the main purpose of the *Petroleum and Gas (Production and Safety) Act 2004* (P&G Act) and the public interest.

1. Background

Coordination arrangements provide a mechanism for parties to formalise agreement about the orderly production of petroleum and gas and coal mining or the carrying out of activities related to those activities.

The making of coordination arrangements is legislated under Chapter 2, Part 8 (section 234 onwards) of the P&G Act. These provisions also apply to coordination arrangements under the *Petroleum Act 1923*¹ (PA23) and the MRA.²

A CA may be required or may be made in the following scenarios and for the purposes of this guideline are categorised as “types”:

- i. **may be required** between the relevant parties under section 114 of the P&G Act and section 318CQ of the MRA, about the petroleum or incidental coal seam gas to be produced from the same “reservoir” (i.e. the coal seam) where consent has not been given for the relevant activity and before the matter is referred to the Land Court for a decision (under section 115 of the P&G Act and section 318R of the MRA).
- ii. **required** before a petroleum lease (PL) is granted over an existing coal or oil shale ML or before a coal or oil shale ML is granted over a PL, pursuant to section 350 of the P&G Act and section 318CB of the MRA.
- iii. **may be made** to provide for coordinated petroleum production and coal mining from overlapping petroleum tenures and coal and oil shale tenements (this is a CA made voluntarily by the parties as part of the grant process of a PL or ML other than the overlapping situations mentioned in (ii) above, e.g. section 321 of the P&G Act and section 318AP of the MRA)
- iv. **may be made** to provide for coordinated petroleum production from more than one natural underground reservoir from more than one of the leases (coordination production across a number of PLs or MLs held by the same or different parties section 234(2)(b) and section 121(2)(b) of the P&G Act)
- v. **may be made** to provide for subleasing of, or an interest in, a PL (section 234(3)(c)(i) of P&G Act)
- vi. **may be made** to provide for a pipeline licence to be granted on land subject to the arrangement (section 234(3)(c)(ii) of P&G Act – this might be used where parties are coordinating production under a type (iv) scenario).

Section 234(5) of the P&G Act provides that a CA has no effect unless it is approved by the Minister under section 236 of the P&G Act.

¹ *Petroleum Act 1923*, pt 1, s 2 Definition of *coordination arrangement*.

² *Mineral Resources Act 1989*, s 318AJ.

2. Purpose and use

The purpose of a CA will vary depending on the type being addressed. However, in all cases they relate to the orderly production of petroleum from the leases or the carrying out of authorised activities on the leases subject to the arrangement. A CA must be bona fide and should demonstrate continuing evidence that the CA is in the State's best interest.³

As the P&G Act is largely silent on what a CA should contain, this document provides guidance as to the type and amount of information necessary. This guide is not intended to be prescriptive and the information required will vary depending on the type of CA and the specific circumstances of the situation for which it caters. It may also vary depending on the commercial arrangement made between the parties.

This guideline should be used by leaseholders/applicants in preparing their CA and will also be used by departmental staff assessing the CA and making recommendations on whether it should be approved.

It is highly recommended that when preparing a CA that you liaise with the department to discuss the content and review draft documents before the final CA is formally lodged. Ideally this should be done jointly with all parties to the agreement and with all relevant departmental officers who are making the assessment of the CA.

3. Legislative requirements

The following provisions of the P&G Act will be considered before approving a CA:

- Section 154(1) Obligation to commence production;
- Section 234 Arrangement to coordinate petroleum activities; and
- Section 236 Ministerial approval of a proposed coordination arrangement.

In accordance with section 234(3A) of the P&G Act, a CA may only be inconsistent with one or more of the following, provided the Minister is satisfied that the inconsistency is appropriate:

- when a PL holder must start petroleum production under section 154(1);
- the development plan or the proposed development plan for: a PA23 PL, the applicant for, or the holder of, a PL; or the applicant for, or the holder of, an ML; and
- the conditions of the PL imposed under section 44(1)(d) of the PA23, section 123(3) of the P&G Act, or sections 276(1)(m) or 276(3) of the MRA.

Section 239 provides that if there is a conflict between a CA and a condition of a relevant lease, the CA prevails to the extent of the inconsistency and if the holder has complied with the CA, it has taken to have complied with the condition to the extent that it is inconsistent with the CA. Section 239 applies despite another provision of the P&G Act, the PA23 or the MRA.

³ Including public interest under section 236(1)(a)(i) of the P&G Act for Ministerial approval of a proposed coordination arrangement.

4. Public interest

The Minister, in considering the public interest, may take a wide range of factors and issues into consideration, limited only by the subject matter, scope and purpose of the P&G Act.

Public interest is not defined in the P&G Act. The MRA contains a definition of the public interest under section 318AK which only applies to Chapter 8, provisions for coal seam gas. It is a consideration of each of the following:

- government policy
- value of commodity production (including time value)
- employment creation
- total return to the State and to Australia (including royalty and rent), assessed on both a direct and indirect basis, so that, for example, downstream value adding is included
- social impacts
- the overall economic benefit for the State, or a part of the State, in the short and long term.

Similar factors are likely to be considered when considering whether the proposed CA is in the public interest in accordance with section 236(1)(a)(i) of the P&G Act.

5. Enforcing obligations of a CA

The Minister may cancel a CA, pursuant to the process in section 242 of the P&G Act. Under this process, the Minister considers submissions made by the holders about the proposed cancellation as well as the public interest and the likely impact of the cancellation on the relevant leases.

Alternatively, the department amend the PL conditions to include a condition that the PL holders will comply with the CA⁴ if the holder agrees in writing to the amendment. Also, the department may apply the general enforcement provisions that apply to PL conditions.⁵

⁴ *Petroleum and Gas (Production and Safety) Act 2004*, s 848(4); *Petroleum Act 1923*, s 125(2).

⁵ *Petroleum and Gas (Production and Safety) Act 2004*, ch 10, pt 2, div 4; *Petroleum Act 1923*, pt 6P.

6. Requirements for proposed coordination arrangements to be approved by the Minister

While section 234 and section 236 of the P&G Act outline in broad terms the criteria and issues that must be considered before a CA can be approved, there is no clear indication as to what the CA should contain or the matters it must address. The following table outlines the matters a CA should address (note that not all matters will apply to all CA types). These have been arranged by subject, which provides a template for the format of the CA itself. The department requires this level of detail in order to make a proper assessment of the proposed CA.

Issue/requirement	Information to be provided	CA Type
General		
Overview	<ul style="list-style-type: none"> • detail the proposed development, infrastructure and production activities on an annual basis • provide a three year outlook on forecast activities • articulate decisions of the parties that relate to planned production for each PL covered by the CA • indicate the production stack • provide a short narrative around the development of each area/project • identify the extent of any conflict between the CA and the conditions of the PLs or the respective development plans • outline the plans around the non-producing (including ceased producing) PLs – the level of reporting around the non-producing PLs should include technical and commercial details of adjacent or related exploration, appraisal and development activities that is likely to aid the development of these resource authorities and the prospect over the three year forecast • the plan will capture development activities occurring on a yearly basis within the CA area. The specific details on future development of each resource authority will remain in the later development plans and if there is significant change will be updated accordingly. 	All
Relevant leases, parties, and obligations	<ul style="list-style-type: none"> • identify the parties to the CA • identify the relevant resource authorities and the relationship/overlap of resource authorities involved and name the holders of each (include maps to show relationships) 	All

	<ul style="list-style-type: none"> state clearly the obligations on the parties to the CA - development plans or other documents can be attached to the CA to demonstrate the parties' obligations to implement the relevant development plans that are ultimately approved as part of the arrangement 	
Type of arrangement	<ul style="list-style-type: none"> the CA cannot be subordinate to external operating arrangements, which should be drafted to ensure that the proposed operating agreements are consistent with the CA outline the situation that has resulted in the arrangement being made and the purpose of the arrangement identify the type of proposed CA being submitted if a type (v) CA, detail any separate operations/operators that are proposed term of arrangement 	All
Proposed development plans for each PL included in the CA	<p>The necessary level of detail required by the department as to the proposed initial development plans for the relevant leases and a mechanism to enable proposed later development plans for the department's approval is to be included in a CA, namely -</p> <p>Pursuant to section 138(1)(a) – (f):</p> <ul style="list-style-type: none"> for each year of the plan period: <ul style="list-style-type: none"> the nature and extent of activities proposed to be carried out under the lease during the year (shown on a map) where the activities are proposed to be carried out (shown on a map); and the estimated cost of the activities; for each natural underground reservoir in the area of the lease of which the applicant is aware, each of the following: <ul style="list-style-type: none"> the location and verifiable estimate of the amount of petroleum in the reservoir (shown on a map); the standards and procedures used to make the estimate; the rate and amount of production proposed from the reservoir; approximately when the proposed production is to start; a schedule for the proposed production during the plan period; any other information relevant to the development plan criteria; reasons why the plan is considered appropriate. 	All

	<p>Specifically, the department expects a CA to include the following detail for development plans for each lease in a CA:</p> <ul style="list-style-type: none"> • detailed staged production over the life of the CA, including details of sub-projects (e.g. PLs bundled into a compressor/field) • a commitment by the participants to commence production on the various PLs on specified dates and at specified time intervals • a commitment by the participants to produce from specified PLs at specified minimum rates and a requirement to maintain such rates of production • a requirement for the participants to obtain the approval of the State in circumstances where it is proposed that there will be a significant change to the previously committed production dates and rates (this includes an increase or decrease in production) • a requirement for the participants to periodically report back to the State about production and reserves in respect of each PL over the life of the CA • a requirement that the participants ensure that development plans submitted in accordance with the P&G Act and PA23, for each of the PLs covered by the CA, are consistent with the plans specified and approved under the CA • a requirement that the CA be reviewed regularly in conjunction with the State • a requirement for development plans forming part of the State to be approved by the State. 	
<p>Relevant arrangements applicable to gas to be produced from each PL in a CA</p>	<ul style="list-style-type: none"> • the holder must provide the department with information about the relevant arrangements applicable to the gas to be produced under the relevant PLs for the CA • the P&G Act and the PA23 contain requirements for proponents to provide details of relevant arrangements applicable to a PL in circumstances where delayed production is sought (see sections 145(1), 121(1)(g), 121(2), 122 and 175AA – 175AD of the P&G Act, and section 74T of the PA23) • participants in a CA that seek to delay various PL production commencement dates, pursuant to the CA, must give the department access to the supply arrangements for gas from the relevant PLs (i.e. the relevant arrangements) as follows: <ul style="list-style-type: none"> ○ the relevant gas sale arrangements (or relevant parts) applicable to the gas to be supplied from the PLs that will be covered by the CA 	

	<ul style="list-style-type: none"> ○ details of upfront and ongoing third party gas suppliers that contribute to meet those contracts i.e. must provide details of relevant arrangements for the department's consideration as part of the CA application for approval 	
Documents comprising the CA	<ul style="list-style-type: none"> • the CA must clearly identify and provide to the department all documents comprising the proposed CA and explain how these interact • the documentation must contain a clear justification for the CA • ATPs cannot be included in a CA but may include a mechanism for subsequent PLs to be added to the CA • the CA must contain key contractual elements (such as consideration, certainty and intention to create legal relations) and must be capable of being enforceable by any party and the State • the development strategy and development plans must be written in detail and without ambiguity 	
Regulatory checklist		
<p>Is the CA inconsistent with:</p> <ul style="list-style-type: none"> • when a petroleum leaseholder must start petroleum production (section 154(1) of P&G; • the development plan • a condition of any PL or ML subject of the CA 	<p>Yes/No (If yes, list the required and the proposed new dates and provide detailed reasons as to why)</p> <p>Yes/No (If yes, a copy of the proposed plan must be provided with the CA. The CA must justify the changes made)</p> <p>Yes/No (If yes, provide a copy of the relevant condition(s) and a justification for the inconsistency)</p>	<p>All</p> <p>All</p> <p>All</p>

Does the CA provide for the grant of a pipeline?	Provide sufficient information to consider whether a pipeline should be granted.	(vi)
Resource Optimisation	Note: Full details of any commercial agreement between the parties do not have to be included in the CA. However, any matters arising from such agreements that impact on the issues below should be included.	
Multiple resource development	<ul style="list-style-type: none"> • what is the planned co-development (i.e. a summary of proposed development plans, how they will interact, and what activities may impact on the other party)? Provide maps, tables, figures as required. • provide summary details of resources in relevant tenures including those to be mined/produced and those not. Reference can be made to information elsewhere e.g. development plans. Include maps and tables as required. • for type (i) CA, each of the following (if relevant) <ul style="list-style-type: none"> ○ how the amount or proportion of petroleum that, when produced, is owned by each party, ○ how the parties are to bear the costs of the production, ○ how the production is to be coordinated or monitored ○ any remediation or compensation arrangements with respect to relevant activities • how does arrangement seek to optimise resource development? Note: All resources/seams/reservoirs should be discussed, not just those to be mined/produced from. • what impact does any commercial agreement have on resource optimisation? Note: While the CA does not (from the Governments point of view) need to contain all the information on commercial agreements between the parties, any commercial agreements which may influence the optimisation of multiple resource development need to be identified, including any transfer of forfeiting of 'rights' to resources or financial incentives with respect to resource development. • what agreement has been made with respect to ownership, extraction and utilisation of incidental coal seam gas? • outline the general benefits of the CA with respect to resource development and the consistency with the purposes of the relevant Acts. 	<p>All</p> <p>All</p> <p>(i)</p> <p>All</p> <p>All</p> <p>(i) – (iv)</p> <p>All</p>

Resource sterilisation	<ul style="list-style-type: none"> will the proposed development sterilise or waste resources (identify and quantify). have alternative development or resource utilisation options been fully investigated (discuss options considered and why they cannot be implemented). 	
Safety	<ul style="list-style-type: none"> Note: The full Safety Management Plan (SMP) or Safety Management System (SMS) does not have to be included in the CA. However, include sufficient detail from it to address the issues below. Assessing officers may wish to view the SMP or SMS separately. 	
Agreement to plans	<ul style="list-style-type: none"> if a type (iii) CA (PL application over ML or ML application over PL), provide agreement of existing leaseholder to proposed SMP or SMS. 	(iii)
Impact of petroleum activities on future coal mining	<ul style="list-style-type: none"> identify potential impacts and how they are to be managed. 	(ii)–(iv)
Is CA and SMP of SMS consistent with development plans	<ul style="list-style-type: none"> the CA should be consistent with the SMP or SMS. the SMP or SMS must address all matters that arise from the proposed development and activities outlined in the proposed development plan (e.g. areas of overlap activities, activities that impact on other activities or resources). 	All
Risk assessment and management	<ul style="list-style-type: none"> Identify potential additional risks arising from situation (e.g. arising from overlapping activities). Note that if the nature and extent of activities is still unknown or poorly known, a process for identifying and managing the risks of future activities must be outlined. how are these risks going to be controlled/managed? how have SMP and SMS been modified (including Principal Hazard Management Plan)? demonstrate that adequate monitoring, reporting and communication procedures are in place. 	All
Safety responsibilities of each party to agreement are clearly identified	<ul style="list-style-type: none"> the CA must identify the safety responsibilities of each party. organisational structures and proposed interrelationships should be clearly outlined. indicate how these responsibilities are identified and addressed in the SMP or SMS. SMP or SMS should provide for consultation and participation of parties (e.g. liaison committees) where overlapping activities or impacts are to occur. 	All where there may be impact
Change management and review processes	<ul style="list-style-type: none"> the CA must include processes to respond to changes in development plans and changes to SMP or SMS and re-assessment of the CA if required. 	All
Administrative		

Consent/conditions	<ul style="list-style-type: none"> any access arrangements/consents/conditions between parties that may impact on the outcomes of the CA should be included. outline any change of ownership of petroleum that may occur from the arrangement (section 28(2)(a) of the P&G Act). 	All
Other	<ul style="list-style-type: none"> definitions of terms (all definitions should be consistent with definitions in the Act). dispute resolution process. 	All
Issues/matters not required	<ul style="list-style-type: none"> the full SMP or SMS GST and other financial issues powers of attorney and other specialised legal matters non-mining matters e.g. environmental/rehabilitation issues. 	

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