



**Australian Government**  
**Department of Industry,  
Innovation and Science**

## Offshore Petroleum Exploration Guideline: Work-bid

In relation to the *Offshore Petroleum and Greenhouse Gas Storage Act 2006*

Effective 1 June 2015

This document has been developed as a general guide only. It is subject to, and does not replace or amend the requirements of the [Offshore Petroleum and Greenhouse Gas Storage Act 2006](#) and associated Regulations, which should be read in conjunction with this guideline.

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This document has been prepared by the [Australian Government Department of Industry, Innovation and Science](#). It will be reviewed and updated as required.

This document is available online at [www.nopta.gov.au](http://www.nopta.gov.au).

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# 1. Obtaining a petroleum exploration permit

## [Part 2.2, Division 2 of the Offshore Petroleum and Greenhouse Gas Storage Act 2006 \(OPGGS Act\)](#)

### Overview

- The Joint Authority awards exploration permits to the applicant who proposes an exploration strategy and work program that will significantly advance the assessment and understanding of the petroleum potential of the area and who has a satisfactory record of past performance. The applicant, in accordance with [section 104\(3\) of the OPGGS Act](#), must also demonstrate its technical and financial capacity to deliver the proposed work program.
- The Joint Authority recognises the essential role of wells in the discovery of petroleum. However, depending on the nature of the area, an exploration well in the primary term may not place an applicant above another applicant who proposes a work program that is logical, coherent, supportable and is considered to be commensurate with the perceived prospectivity of the area.
- The Joint Authority acknowledges the challenges of exploring in lightly-explored areas. This guideline clarifies the Joint Authority's expectation of bidding for these areas, specifically around the role of exploration wells.
- The Joint Authority awards exploration permits subject to a set of standard conditions. If deemed appropriate, the Joint Authority may also place additional conditions on the permit - [section 99 of the OPGGS Act](#).
- The Commonwealth will respect any information provided on a 'Commercial-in-Confidence' basis.

### How to apply

- 1.1. Applications must be compliant with the [OPGGS Act](#), the requirements of the [Australian Government Gazette](#) notice inviting applications and also meet the minimum expectations of the Joint Authority, as outlined in this guideline.
- 1.2. Applicants are expected to take into account all relevant information and special notices, such as environmental protection, defence, navigation and fisheries matters and access restrictions applying in areas. Details known to the Joint Authority are included in the annual Offshore Petroleum Exploration Acreage Release information package at the time of release.
- 1.3. An application form is available online at [NOPTA's website](#). One electronic copy—in a text search supported format—and one hard copy is to be submitted.
- 1.4. Applicants may submit any other relevant information they wish to have considered.
- 1.5. Once an application is submitted, the composition and timing of the proposed work program may not be amended through the submission of further information and any other changes will not be accepted.
- 1.6. An application must be accompanied by a fee, payable to 'NOPTA – Commonwealth of Australia' through an Australian bank cheque or by electronic funds transfer. The amount of the fee is prescribed in schedule 6 of the [RMA regulations](#). Evidence of an electronic fund transfer must be provided with the application. Credit card payments are not accepted.

### Technical evaluation

- 1.7. The technical evaluation should summarise the applicant's understanding of the geology and petroleum potential of the release area. It should include the concepts underlying the proposed work program, with sufficient detail to support that program. A sound technical evaluation would include an assessment of relevant data and support the amount of seismic surveying and the number and conceptual targets of wells to be drilled, if applicable.
- 1.8. The technical evaluation should include, but is not limited to, a description of:

- a) The applicant's assessment of the release area, including potential petroleum systems, and plays within the release area.
- b) Any prospects and leads mapped within the release area, including supporting material such as images, interpreted seismic sections and horizon maps.
- c) The data and/or studies the technical evaluation is based on.
- d) Any geotechnical studies, seismic interpretation, mapping or any other work that has been undertaken as part of the technical evaluation.
- e) How the applicant proposes to utilise any existing data over the release area, including how this data is to be utilised in the proposed work program.

### Exploration strategy

- 1.9. The exploration strategy should link the technical evaluation with the proposed work program.
- 1.10. Applicants should propose an exploration strategy that has the potential to significantly advance the assessment and understanding of the petroleum potential of the release area. The exploration strategy should support the applicant's technical evaluation of the release area and the proposed work program for the six-year permit term.
- 1.11. The exploration strategy should explain how the release area will be explored over the permit term, including how the different work program elements will investigate the plays, prospects and leads identified in the technical evaluation of the area.

### Work program

- 1.12. Proposed work program activities must be stated precisely to avoid ambiguity.
- 1.13. Work programs are divided into a 'primary' and 'secondary' term.
- 1.14. The first three-years of a work program are referred to as the **primary term**. The first three-years of the permit term are combined and the minimum work requirements must commence and be completed within the primary term.
- 1.15. Once awarded, the primary term becomes guaranteed and cannot be reduced. Work activities that cannot be guaranteed should not be included in the primary term.
- 1.16. Permit years 4, 5, and 6 are referred to as the **secondary term**. Each year becomes guaranteed upon entry and the minimum work requirements must commence and be completed within the permit year.

An example of a six-year work program:

Year	Start date	End date	Activity
1-3	01/01/2015	31/12/2017	2,000 km <sup>2</sup> of 3D seismic reprocessing 2,000 km <sup>2</sup> of new 3D seismic acquisition and processing Geophysical and geological studies
4	01/01/2018	31/12/2018	Geophysical and geological studies
5	01/01/2019	31/12/2019	One exploration well
6	01/01/2020	31/12/2020	Geotechnical and geological studies

- 1.17. The proposed work program for the six-year term must be consistent with the exploration strategy and underpinned by the technical evaluation of the area.
- 1.18. The proposed work program must be regarded as advancing the exploration effort.

- 1.19. The early elements of the proposed work program should be sufficient to enable the later elements to proceed and be aligned with the exploration strategy. This includes the need for the number of wells to be justifiable and be supported by the number and maturity of plays, prospects and/or leads identified i.e. the work program should be pursuable on a dry hole basis.
- 1.20. Proposed work program activities should only include work that will be undertaken within the permit area. Any work, studies or reprocessing proposed outside the permit area, must be clearly differentiated.
- 1.21. Work intended to appraise a known petroleum accumulation in an area may form part of the proposed work program. However, appraisal activities must be clearly differentiated from exploration activities.
- 1.22. Work associated with a known petroleum accumulation will only be considered as exploration work if the activity is assessed to include a significant exploration component.
- 1.23. The minimum acceptable work program for an area will vary depending on the size of the area, its perceived prospectivity and its location. At a minimum, it is expected the proposed work program will contain:
- a) New operational activities such as, data acquisition and/or exploration well/s. Areas that are lightly-explored or frontier in nature, operational activities may refer to other activities and not necessarily exploration wells.
  - b) Reprocessing and/or geophysical and geological studies to enable a play, lead or prospect to be identified and progressed toward maturing a drillable target.
- 1.24. Where an area is fully covered by 3D seismic data, reprocessing a majority of this data may form part of the proposed work program and can be undertaken instead of acquiring new seismic data. The reprocessing would normally be expected to be from raw data or the quality controlled traces and to utilise techniques not previously undertaken on seismic data within the permit area.
- 1.25. It is expected that at least one exploration well will be proposed during the initial six-year permit term for well-explored areas with good data coverage.
- 1.26. The description of the proposed work program should include:
- a) Indicative expenditure in Australian dollars for each activity at current market value.
    - Operational activities: calculations detailing how the cost of the activities has been estimated should be provided.
  - b) The number of line kilometres of 2D and proposed line spacing and/or square kilometres of 3D seismic data that will be acquired and processed within the permit area, including:
    - Full fold numbers within the permit area.
    - A map showing the indicative location of the 2D lines or 3D survey outline. All existing seismic surveys should be identified on this map.
    - If known, the parameters and methodology of the seismic acquisition and processing that will be undertaken.
  - c) The amount, type and details of the applicable dataset of any new reprocessing the applicant proposes to undertake, including:
    - The number of line kilometres of 2D and/or square kilometres of 3D seismic data that will be reprocessed within the permit area clearly stated.
    - A map showing the indicative location of the 2D lines or 3D survey outline. All existing seismic surveys should be identified on this map.

- If known, the parameters and methodology of the reprocessing that will be undertaken.
- d) The number of exploration wells proposed, including indicative plays and target play levels.
- e) The nature, scope and objectives of any studies.
- f) The licensing or use of any existing exclusive or non-exclusive datasets and, if applicable, how these are proposed to be used in conjunction with any reprocessing or geophysical studies proposed in the work program.
- g) Descriptions and the conceptual locations/targets/purpose of other operational activity or surveying proposed.

### ***Important notes on treatment of new vs existing seismic data***

- 1.27. The reprocessing and interpretation of existing data undertaken during the applicant's pre-bid evaluation will be taken into account in assessing the relative merits of the proposed work program.
- 1.28. An applicant who pre-licences multi-client data or undertakes reprocessing using the same data set as part of its pre-bid evaluation and therefore, does not propose the work as part of its work program, will not be disadvantaged. As such, applicants should provide details of pre-bid evaluation work, including the extent of the work undertaken, the outcomes and how this has informed the exploration strategy and proposed work program.

### **Non-exclusive seismic data: Multi-client surveys and reprocessing products**

- 1.29. If an applicant proposes to licence non-exclusive seismic data, new or reprocessed, as part of a work program, it should state if the data is part of:
- an existing non-exclusive seismic survey or reprocessed data volume
  - a non-exclusive seismic survey or reprocessed data project that will be conducted or
  - when the initial final processed or reprocessed data will become available for licencing.
- 1.30. If the final processed dataset will not become available until after the closing date of bids, this will be assessed as new seismic acquisition for the purposes of the bid assessment.

### **Technical qualifications**

- 1.31. An applicant must satisfy the Joint Authority of its technical capacity and competence to undertake the proposed work program. This includes, where applicable, the technical capacity, competence and experience of key personnel and subcontractors.
- 1.32. An applicant should provide details of its:
- a) technical qualifications and those of its key employees
  - b) technical advice available by way of consultants or other providers.

### **Financial capacity**

- 1.33. An applicant must satisfy the Joint Authority of its financial capacity to undertake the proposed work program, including evidence of the continued ability to attract external funding or have sufficient financial resources to meet the requirements of the proposed work program.
- 1.34. The Joint Authority may take into account the work program commitments in other petroleum titles under the OPGGS Act, in which the applicant and/or the parent company has a financial interest, in order to assess financial capacity to undertake the proposed work program.
- 1.35. Evidence of financial capacity may include:
- a) Bank deposits held - statement of financial position.

- b) Operating cash flows - statement of cash flows.
  - c) Loan facilities - i.e. loan agreements signed by all parties or loan agreements conditional on the award of a title are acceptable. Letters of intent from a loan institution are not acceptable.
  - d) Parent company guarantee – i.e. a deed of cross guarantee or a guarantee provided by the parent company on corporate stationery.
  - e) Other guarantees – i.e. a bank guarantee, or a letter from an accountant of an individual’s capacity to fund the work program—high net worth individuals.
  - f) Forecast cash flows - where an applicant has existing assets and those assets have proven reserves and are in production or production is imminent. Speculative cash flows where the assets are not in production and production is not imminent are not acceptable.
  - g) Proven ability to attract farm in partners and to raise capital by public or private means.
- 1.36. Where an applicant is a subsidiary within a group of companies and is not required to produce financial statements, the financial reports of the immediate parent company are to be provided with an applicable parent company guarantee.
- 1.37. Letter of guarantee from a capital raising entity - arrangements with financial institutions or brokerage firms where they undertake to raise equity on a best efforts basis **are not** considered adequate evidence of funding.

### **Past Performance**

- 1.38. Past performance of the applicant, parent company, where applicable, and/or directors is a factor the Joint Authority will consider during the decision making process unless the company and directors have a current Good Standing Agreement – refer to section 4 of this guideline.
- 1.39. Past performance refers to the applicant, parent company, where applicable, and/or company director’s history, against the publically available [Titles Register](#) over the previous five years, such as cancellations or expiries in default under the OPGGS Act.
- 1.40. Past performance may also refer to any health, safety and/or environmental incidents within Australia or internationally. The applicant may choose to detail proposed mitigation in relation to these matters within their bid documents. Entering into a Good Standing Agreement does not offset a health, safety and/or environmental past performance record.
- 1.41. The Joint Authority may not offer an exploration permit to an applicant on the basis that the applicant’s past performance indicates a history of non-compliance with permit conditions or the applicant does not demonstrate a proven ability to significantly advance the assessment and understanding of the petroleum potential of permit areas.
- 1.42. The Joint Authority may also consider past performance when ranking multiple applicants in accordance with [section 106\(3\) of the OPGGS Act](#), to determine a most deserving applicant.

### **Bid assessment**

- 1.43. Bids are assessed by NOPTA, who provide advice to the relevant Joint Authority.
- 1.44. In deciding whether to exercise its discretion to make an offer, the Joint Authority may take into consideration a broad range of factors. These factors may include which bid is likely to progress the most comprehensive understanding of the petroleum prospectivity of the area.
- 1.45. Where there are multiple applicants for the grant of an exploration permit, in determining the applicant who is most deserving, the Joint Authority must have regard to the criteria in section 1.47 of this guideline, in relation to the proposed primary work program.
- 1.46. Where there is a single applicant, the Joint Authority may also have regard to the criteria on section 1.47 of this guideline.

- 1.47. This criteria is in no particular order:
- a) The relevance of the proposed work program to the technical evaluation and exploration strategy.
  - b) The amount, type and timing of seismic acquisition and processing to be carried out, including parameters and methodology.
  - c) The amount, type and timing of other surveying and data acquisition to be carried out.
  - d) The amount, type and timing of seismic data to be purchased or licenced.
  - e) The amount, type and timing of seismic data reprocessing to be carried out, including parameters and methodology.
  - f) The type, scope and objectives of the geophysical and geological studies, proposed within the area and how these studies align with other work program activities and the exploration strategy.
  - g) The number and timing of exploration wells proposed and their alignment with the perceived prospectivity of the area, supporting program of geological and geophysical work and the number of proposed plays and/or mapped prospects/leads identified.
  - h) The past performance of the applicant.
  - i) Significant appraisal work over previous petroleum discoveries within the area, if any.
- 1.48. The Joint Authority must be satisfied the applicant has the technical and financial capacity to undertake the proposed work program.
- 1.49. If an applicant cannot be chosen on the basis of the primary work program, using the criteria above, the secondary work program will be assessed and ranked.
- 1.50. After assessing the secondary work programs, if two or more applicants are still considered to be equally deserving of the grant of an exploration permit, the Joint Authority may invite the applicants to make a written proposal for additional work and expenditure.
- 1.51. If an applicant is made an offer for the grant of an exploration permit and declines the offer, the Joint Authority may make an offer to the second ranked applicant, where applicable.
- 1.52. There is no penalty or disadvantage should an applicant not accept an offer by the Joint Authority.

### **Further information**

#### [Section 258 of the OPGGS Act](#)

- 1.53. The Titles Administrator may clarify any aspect of the bid through a written request for further information.
- 1.54. If further information is requested and not submitted within the specified time, the Joint Authority may by written notice, choose not to consider or take any further action in relation to the bid.

### **Refusal to grant an exploration permit**

- 1.55. The grounds the Joint Authority may take into account for refusing to grant an exploration permit, include, but are not limited to, circumstances where the:
- a) Applicant does not provide a compliant application as specified in the gazette notice.
  - b) Proposed work program is assessed to be inferior to that of a competing bid.
  - c) Proposed work program is assessed to be inadequate to significantly advance the exploration status of the area.
  - d) Proposed work program does not support the technical evaluation.

- e) Joint Authority is not satisfied the applicant possesses the financial capacity to facilitate the proposed work program, in addition to other guaranteed work program commitments in other titles under the OPGGS Act the applicant and/or parent company has an interest in.
- f) Joint Authority is not satisfied the applicant possesses the technical capacity to facilitate the proposed work program.
- g) Joint Authority is not satisfied the past performance of the applicant in Australia or internationally.

### **Re-release of acreage**

- 1.56. The re-release of an area will be at the discretion of the Joint Authority. It is generally intended that if an area does not attract a successful bid it will be re-released.
- 1.57. Where possible, the closure date for bids on re-released areas will coincide with the next closure date under the normal acreage release process.
- 1.58. Bids for re-release areas are assessed using the criteria for bid assessment in this guideline.
- 1.59. Re-released areas will be published through the [Australian Government Gazette](#) and an article in the *Australian Petroleum News*, which is available on the [Department of Industry, Innovation and Science's](#) website or by emailing [Petroleum.Exploration@industry.gov.au](mailto:Petroleum.Exploration@industry.gov.au).
- 1.60. Areas will generally only be re-released once and areas that are not re-released will revert to vacant acreage.

## 2. Petroleum exploration permit conditions and administration

### Overview

- Titleholders are expected to ensure all obligations under the OPGGS Act, [Offshore Petroleum and Greenhouse Gas \(Regulatory Levies\) Act 2003](#) (OPGGS Levies), the associated regulations, any directions and title conditions are met at all times.
- Titleholders must comply with the data management and reporting requirements of the [Offshore Petroleum and Greenhouse Gas Storage \(Resource Management and Administration\) Regulations 2011](#) (RMA regulations).
- The OPGGS Act allows for a variation, suspension and/or exemption from compliance with work program condition(s). Where warranted, the Joint Authority may also grant an extension to the permit term where a condition has been suspended.
- The Joint Authority will generally only consider a suspension with an extension of the permit term, if the proposed work program for the subsequent year/s is reliant on the work to be undertaken in the suspended year i.e. the subsequent year consists of an exploration well or other operational activities.
- If a suspension application is lodged in the final year of the permit term, the permit will remain in force until a decision is made by the Joint Authority. If the Joint Authority refuses the application, the permit will continue in force for two-months, effective from the date the titleholder was notified of the refusal. This will ensure the titleholder has time to apply for a renewal of the permit or for the grant of a successor title prior to the expiry of the permit.
- All applications are considered by the Joint Authority on a permit-by-permit basis. Therefore, a separate application must be lodged for each permit.
- Applications made under the OPGGS Act may be submitted at any time but should not be made later than 60 days before the end of the primary term or the permit year. It is the responsibility of the titleholder to ensure there is sufficient time for a decision to be made before entering the next guaranteed year.
- Titles that are a 'prior usage right' for the purposes of section 359 of the *Environment Protection and Biodiversity Protection Act 1999* (EPBC Act) will require consent from the Minister for the Environment before an extension to the permit term can be granted by the Joint Authority – refer to the 'Offshore Petroleum Guideline: Prior Usage Rights' on [NOPTA's website](#).

### **Important notes on work program commitment - seismic data and reprocessing**

- 2.1. A titleholder may meet a seismic surveying commitment by licencing an equivalent amount of non-exclusive seismic data, if the data was acquired within the permit area after the date the permit was granted.
- 2.2. Reprocessed seismic data purchased and/or licenced by a titleholder may meet an existing seismic reprocessing commitment to the extent that the reprocessing meets in part or in full, the original work program commitment. The data must have been reprocessed after the date the permit was granted.
- 2.3. If reprocessed seismic data is purchased/licenced to meet an existing seismic reprocessing commitment, it is expected the reprocessing will be from raw data or the quality controlled traces and utilise techniques not previously undertaken on seismic data acquired within the permit.

### **Work program credit**

- 2.4. The Joint Authority places a standard condition on title instruments that enables the Titles Administrator, at its discretion and by written instrument, to credit activities undertaken within an earlier permit year against a future work program commitment.

2.5. It is the responsibility of titleholder's to obtain the Titles Administrator's agreement

### Suspension or a suspension and extension

#### [Section 264 and 265 of the OPGGS Act](#)

- 2.6. Titleholders may apply to suspend any of the conditions to which the permit is subject **or** apply to suspend any of the conditions to which the permit is subject together with an extension of the permit term – a 'suspension and extension'.
- 2.7. The Joint Authority considers the work program as a whole when reviewing a suspension or suspension and extension application.
- 2.8. The Joint Authority acknowledges elements of an exploration work program or its timing may need to change as:
- geological knowledge is gained i.e. technical grounds or
  - if the timing of an activity is impacted by *force majeure* circumstances.
- 2.9. When deciding these applications the Joint Authority may take into account:
- The existence, nature and extent of any geological knowledge gained.
  - The existence, nature and extent of any *force majeure* circumstance.
  - If the titleholder is proposing to undertake above-commitment work that has critical implications for the assessment of the permit area and requires additional time to complete the above-commitment work.
  - If the work could be undertaken in the subsequent permit year i.e. could compliance with the permit condition be suspended without extending the term of the title.
- 2.10. A suspension or a suspension and extension will not change the reporting date for the Annual Titles Assessment Report – refer [3.03 of the RMA regulations](#).
- 2.11. A suspension only will defer the end date of a current permit year but will not alter the end date of subsequent permit years. A suspension of a permit year suspends the deadline to comply with a work program condition.

An example of a 12-month suspension of permit year 4:

Year	Start date	End date	Activity
4	10/01/2015	<del>09/01/2016</del>	2,000km <sup>2</sup> 3D seismic acquisition and processing
		09/01/2017	Geophysical and geological studies
5	10/01/2016	09/01/2017	Geophysical and geological studies
6	10/01/2017	09/01/2018	One exploration well

2.12. A suspension and extension will defer the end date of the current permit year and all subsequent permit years.

An example of a 12-month suspension of permit year 4 and extension of the permit term:

Year	Start date	End date	Activity
4	10/01/2015	<del>09/01/2016</del>	2,000km <sup>2</sup> 3D seismic acquisition and processing
		09/01/2017	Geophysical and geological studies
5	<del>10/01/2016</del>	<del>09/01/2017</del>	Geophysical and geological studies
	10/01/2017	09/01/2018	
6	<del>10/01/2017</del>	<del>09/01/2018</del>	One exploration well
	10/01/2018	09/01/2019	

### **Force majeure circumstances**

- 2.13. If the ability of a titleholder to meet a work program commitment is adversely impacted by an event that cannot be reasonably anticipated or controlled during the course of the exploration work program via experience or care—*force majeure*—the Joint Authority may approve a suspension or a suspension and extension.
- 2.14. An application for a suspension or suspension and extension on *force majeure* grounds, must include substantial and compelling documentary evidence to demonstrate how the *force majeure* circumstance has adversely impacted the ability to complete the work program.
- 2.15. Commercial circumstances and common risks in the industry are **not considered** to constitute *force majeure*. These may influence the perceived commercial viability of an activity but would not normally prevent an explorer from adhering to their commitment. Such circumstances and risks may include, but are not limited to:
- avoidable delays in receiving processed/reprocessed data from contractors
  - failure to mature a drillable prospect
  - changes in oil price
  - poor quality seismic data
  - difficulty attracting a farm-in partner
  - avoidable delays in contracting a drilling rig/seismic vessel
  - difficulty in raising capital
  - disappointing exploration results
  - the need to wait for the results of exploration work undertaken outside the permit area
  - rescheduling of appraisal/development wells ahead of exploration wells.

### **Variations**

#### Section 264 of the OPGGS Act

- 2.16. A variation application may be submitted at any time but should not be made later than 60 days before the end of the primary term or the permit year. It is the responsibility of the titleholder to ensure there is sufficient time for a decision to be made before entering the next year/period.
- 2.17. If a titleholder lodges an application in the last 60 days of the primary term or the relevant permit year, the titleholder should consider lodging a suspension and extension application in the event an adverse decision is made by the Joint Authority.
- 2.18. If a titleholder applies for a suspension and variation at the same time, this can be lodged as a single application.
- 2.19. A titleholder may apply for:
- A work equivalent variation to replace a guaranteed work activity with an equivalent work activity.
  - An above-commitment work variation to undertake above-commitment work that has critical implications for the assessment of the petroleum potential of the permit area.
  - A secondary work program variation to vary the work program conditions in permit years 4, 5 and 6 of an initial permit term or permit years 4 and 5 of a renewal term.
- 2.20. If the Joint Authority agrees to vary an exploration well out of the permit term, it is generally expected that an exploration well will be included in the primary term of the renewal program, should the titleholder elect to renew the permit.

### **Work equivalent variation**

- 2.21. A titleholder may apply to replace a guaranteed work activity with an equivalent work activity
- 2.22. The Joint Authority will generally only agree to a variation if the proposed replacement work program activity is a similar or superior technique and the activity meets or exceeds the objective of the original work program commitment.
- 2.23. It is the responsibility of the titleholder to ensure the Joint Authority has agreed to the work equivalent variation before commencement of the work.

### **Above-commitment work variation**

- 2.24. A titleholder may apply to vary above-commitment work into the permit conditions.
- 2.25. Where a suspension and extension is requested on the grounds of a need to complete above-commitment work, the Joint Authority expects the work to be varied into the permit conditions so that the work becomes guaranteed.
- 2.26. If a titleholder proposes to undertake significant above-commitment work that could have critical implications for the exploration of the permit area, the Joint Authority may agree to either a suspension or suspension and extension to enable the titleholder to undertake the work.
- An application for a suspension or suspension and extension should be lodged with the variation application.
- 2.27. Generally in these circumstances the Joint Authority will consider a 12-month suspension or a 12-month suspension and extension. However, a longer time frame may be requested and the Joint Authority will consider this on a case-by-case basis and on its merits. These circumstances may include when:
- a) A titleholder has entered a permit year with a drilling commitment and is unable to mature a drillable prospect.
  - b) The proposed work is significant and assessed to have critical implications on the titleholder's forward work plans.

### **Secondary work program variation**

- 2.28. A titleholder may apply to vary:
- Individual permit years before entry into the relevant permit year.
  - Permit years 5 *and* 6 before entry into permit year 5.
  - The *whole* secondary work program before entry into permit year 4.
- 2.29. An application should be supported by exploration results from the primary term or previous permit years and technical evidence as to why the work program should be varied.

## **Exemptions**

### **Section 264 of the OPGGS Act**

- 2.30. A titleholder may apply to be exempt from compliance with a work program condition. An exemption application may be made on exceptional technical or *force majeure* grounds.
- 2.31. In deciding whether to exempt a titleholder from compliance with a work program condition, the Joint Authority will consider:
- a) if the titleholder has demonstrated a significant effort to identify and assess the petroleum potential of the permit and has provided substantial and compelling documentary evidence and
  - b) if the objective of the original work program commitment has been met.
- 2.32. The Joint Authority will not exempt a titleholder from an activity, if the following permit years are reliant on that work being undertaken.

## Surrenders

### [Part 2.12 of the OPGGS Act](#)

- 2.33. A titleholder may apply for consent to surrender some or all of the blocks the permit is in force over.
- 2.34. In deciding whether to consent to the surrender, the Joint Authority may consider:
- The stage of the work program – ordinarily consent will be refused before the completion of the guaranteed primary term.
  - Whether the titleholder has completed all guaranteed work program commitments.
- 2.35. In undertaking its assessment, in accordance with the OPGGS Act, NOPTA consults with the [National Offshore Petroleum Safety and Environmental Management Authority](#).
- 2.36. Titleholders are expected to ensure any outstanding reports and data are lodged with the surrender application in accordance with the [RMA regulations](#).
- 2.37. If the Joint Authority gives consent to the surrender of the permit, the titleholder may, by written notice given to NOPTA, surrender the whole or part of the permit.
- 2.38. The surrender takes effect the day a notice is published in the [Australian Government Gazette](#).

## Expiry

- 2.39. An expiry takes effect on the day the permit ceases to be in force.
- 2.40. Titleholders are not required to lodge an application if it is intended to let a permit expire. However, titleholders may choose to notify NOPTA before the expiration date.
- 2.41. When a permit expires, the titleholder should ensure they are in a position to maintain their standing with Joint Authority by:
- Ensuring all work program commitments have been met.
  - Submitting any outstanding reports and data to NOPTA, in accordance with the RMA Regulations.
  - Paying all outstanding fees and amounts or make arrangements that are satisfactory to NOPTA.
- 2.42. Where a permit expires in default of the permit conditions, the titleholders may apply for a Good Standing Agreement – refer to section 4 of this guideline.
- 2.43. If the permit expires in default of the permit conditions and a Good Standing Agreement is not entered into, the titleholders will be recorded as having a past performance issue that will be used in the decision making process, for a period of five years, effective from the day the expiry is gazetted.
- 2.44. All permit expiries are published in the [Australian Government Gazette](#).

## Cancellation

### [Part 2.13 of the OPGGS Act](#)

- 2.45. Titleholders are expected to ensure all obligations under the OPGGS Act, OPGGS Levies Act, the associated regulations, any directions and permit conditions are met at all times. Failure to comply with any of these obligations, including permit conditions, is a ground for cancellation of the permit.
- 2.46. If there are grounds for cancellation, before making a decision, the Joint Authority will issue the titleholders a written notice of intention to cancel the permit. Titleholders will be given at least 30 days to submit matters they wish to have considered by the Joint Authority in reaching its final decision.
- 2.47. A cancellation takes effect the day a notice is published in the [Australian Government Gazette](#).

## 3. Renewal

### [Part 2.2, Division 5 of the OPGGS Act](#)

#### Overview

- A titleholder may apply to renew a work program exploration permit. Titleholders should refer to [sections 122 and 123 of the OPGGS Act](#) to determine the number of times a permit may be renewed and the maximum number of blocks that may be applied for.
- An application must be made at least 90 days before the expiry of the permit. NOPTA may accept applications later than 90 days, but no later than the expiry date.
- It is the Joint Authority's expectation that the proposed work program will be supported by an exploration strategy that will significantly advance the assessment and understanding of the petroleum potential of the permit area during the five-year renewal term.
- The Commonwealth will respect any information provided on a 'Commercial-in-Confidence' basis.
- Titles that are a 'prior usage right' for the purposes of section 359 of the *Environment Protection and Biodiversity Protection Act 1999* (EPBC Act) will require consent from the Minister for the Environment before a renewal can be granted by the Joint Authority – refer to the 'Offshore Petroleum Guideline: Prior Usage Rights' on [NOPTA's website](#).

#### How to apply

- 3.1. An application form is available online at [NOPTA's website](#). One electronic copy—in a text search supported format—and one hard copy is to be submitted.
- 3.2. An application must be accompanied by a fee, payable to 'NOPTA – Commonwealth of Australia' through an Australian bank cheque or by electronic funds transfer. The amount of the fee is prescribed in schedule 6 of the [RMA regulations](#). Evidence of an electronic fund transfer must be provided with the application.
- 3.3. A renewal application should include:
  - a) a technical evaluation of the petroleum potential of the area
  - b) a work program and activities for the primary term
  - c) a work program and activities for the secondary term
  - d) an overview of compliance with the permit conditions, chapters 2, 4, 6 and part 7.1 of the OPGGS Act and the associated regulations.
- 3.4. Applications are assessed by NOPTA, who provide advice to the relevant Joint Authority.
- 3.5. NOPTA may clarify any aspect of the renewal application through a written request for further information to the applicant.

#### Work program

- 3.6. The proposed work program for the five-year renewal term must be consistent with the exploration strategy and underpinned by the technical evaluation of the area incorporating results and findings of the previous permit term.
- 3.7. The early elements of the proposed work program should be sufficient to enable the later elements to proceed and be aligned with the exploration strategy. This includes the need for the number of wells to be justifiable and be supported by the number and maturity of plays, prospects and/or leads identified i.e. the work program should be pursuable on a dry hole basis.
- 3.8. Work intended to appraise a known petroleum accumulation in an area may form part of the proposed work program. However, appraisal activities must be clearly differentiated from exploration activities.

- 3.9. Work associated with a known petroleum accumulation will only be considered as exploration work if the activity is assessed to include a significant exploration component.
- 3.10. The first three-years of a work program are referred to as the **primary term**. The first three-years of the permit term are combined and the minimum work requirements must commence and be completed within the primary term.
- 3.11. Once the permit is renewed, the primary term becomes guaranteed and cannot be reduced. Work activities that cannot be guaranteed should not be included in the primary term.
- 3.12. Permit years 4 and 5 are referred to as the **secondary term**. Each year becomes guaranteed upon entry and the minimum work requirements must commence and be completed within the permit year.

An example of a five-year work program:

Year	Start date	End date	Activity
1-3	01/01/2015	31/12/2017	2,000 km <sup>2</sup> of 3D seismic reprocessing Geophysical and geological studies One exploration well
4	01/01/2018	31/12/2018	1,000 km <sup>2</sup> of new 3D seismic acquisition and processing
5	01/01/2019	31/12/2019	Geophysical and geological studies

- 3.13. At a minimum, it is expected the proposed work program will contain:
- New operational activities in the primary work program such as data acquisition and/or exploration well/s.
  - Reprocessing and/or geophysical and geological studies to enable a play, lead or prospect to be identified and progressed toward maturing a drillable target.
- 3.14. Where an area is fully covered by 3D seismic data, reprocessing a majority of this data may form part of the proposed work program and can be undertaken instead of acquiring new seismic data. The reprocessing would normally be expected to be from raw data or the quality controlled traces and to utilise techniques not previously undertaken on seismic data within the permit area.
- 3.15. It is expected that at least one exploration well will be proposed during the five-year permit term. If no exploration drilling was undertaken in the initial permit term, it is generally expected an exploration well will be proposed in the primary term.
- 3.16. Work program activities should only include work that is to be undertaken within the permit area. Any work, studies or reprocessing to be undertaken outside the permit area must be clearly differentiated.
- 3.17. The description of the proposed work program for the renewal term should include:
- Indicative expenditure in Australian dollars for each activity at current market value.
    - Operational activities: calculations detailing how the cost of the activities has been estimated should be provided.
  - The number of line kilometres of 2D and proposed line spacing and/or square kilometres of 3D seismic data that will be acquired and processed within the permit area, including:
    - Full fold numbers within the permit area.
    - A map showing the indicative location of the 2D lines or 3D survey outline. All existing seismic surveys should be identified on this map.

- If known, the parameters and methodology of the seismic acquisition and processing that will be undertaken.
- c) The amount, type and details of the applicable dataset of any new reprocessing the applicant proposes to undertake, including:
  - The number of line kilometres of 2D and/or square kilometres of 3D seismic data that will be reprocessed within the permit area clearly stated.
  - A map showing the indicative location of the 2D lines or 3D survey outline. All existing seismic surveys should be identified on this map.
  - If known, the parameters and methodology of the seismic acquisition and processing that will be undertaken.
- d) Descriptions of the prospects and leads mapped within the permit area.
  - Images, seismic sections and horizon maps should be included.
- e) The number of exploration wells to be drilled including indicative plays and target play levels.
- f) The nature, scope and objectives of any studies.
- g) The licensing or use of any existing exclusive or non-exclusive datasets and, if applicable, how these are proposed to be used in conjunction with any reprocessing or geophysical studies proposed in the work program.
- h) Descriptions and the conceptual locations/targets/purpose of other operational activity or surveying proposed.

### **Refusal to renew an exploration permit**

- 3.17 The OPGGS Act provides that the Joint Authority must refuse to renew a permit on the basis of non-compliance with permit conditions, the provisions of chapters 2, 4 and 6 and part 7.1 of the OPGGS Act and/or the provisions of the regulations and if the Joint Authority is not satisfied that sufficient grounds exist to warrant the renewal.
- 3.18 Where the Joint Authority intends to refuse to renew an exploration permit, consultation procedures apply under [section 262 of the OPGGS Act](#).

## 4. Good Standing Agreement

### Overview

- If a titleholder defaults on a guaranteed work program commitment, a Good Standing Agreement (GSA) is a policy mechanism available for the titleholder and their directors, to maintain 'good standing' with the Joint Authority.
- The standing of a company and its directors is a status assigned by the Joint Authority. To be in 'good standing' means that over the previous five-years the company and/or its directors has not defaulted on:
  - any guaranteed work program commitments, or where a default has occurred, has entered into a Good Standing Agreement.
  - a Good Standing Arrangement/Agreement.
- By entering into a GSA, the Joint Authority will not consider any default on guaranteed work program commitments in the previous five-years, when making decisions for the award of work-bid exploration permits. Refer to Appendix A for a diagram outlining the process.
- If a company and/or its directors has had two or more exploration permit cancellations or expiries in default in the previous five-years and only entered into one GSA, the Joint Authority may use the outstanding default where no GSA was entered into when determining a most deserving applicant.
- If a defaulting titleholder chooses not to access a GSA or is deemed to be ineligible, the defaulting titleholder and parent company where applicable and all associated directors will be considered to be 'not in good standing' with the Joint Authority for a period of five-years. This is effective from the day the notice of permit cancellation or expiry was published in the [Australian Government Gazette](#).
- A GSA may only be relevant if the titleholders intend to continue petroleum exploration activities in Commonwealth waters.
- The Joint Authority determines the terms and conditions of a GSA on a case-by-case basis taking into account all relevant information provided.
- The Joint Authority may consider granting an extension to the timeframe in which the GSA must be satisfied, but only if the GSA holder can demonstrate it has attempted to satisfy the GSA at every opportunity.
- Entering into a GSA will not delay any cancellation proceedings.
- Bidding for a cash-bid exploration permit cannot be used to meet a GSA.
- The application form on NOPTA's website will provide further guidance on the information that should be submitted with a request for a GSA.
- The Commonwealth, on behalf of all Joint Authorities, will maintain a 'National Standing Register'.

### Options for satisfying a Good Standing Agreement

- 4.1. The grant of an exploration permit from re-released acreage within two acreage release rounds that contain re-release areas and the completion of the guaranteed primary work program/expenditure of the GSA amount.
- 4.2. A successful bid on prime acreage, where there are no other bidders within two acreage release rounds and the completion of the guaranteed primary work program/expenditure of the GSA amount.
  - Prime acreage is an area open for bidding in the most recent round of the Offshore Petroleum Exploration Acreage Release.

- A sole bidder is a single applicant or a joint venture making a single bid together. However, the joint venture partner subject to the GSA must demonstrate that in the primary term of the permit it has expended the GSA amount.

4.3. The Joint Authority may consider on a case-by-case base to make available regional studies as a mechanism to discharge the GSA amount.

- Data generated from a regional study will become ‘open file’ in an agreed timeframe with the Joint Authority and is to be of interest to the broader petroleum industry.
- Studies must be completed within three-years from the date of the GSA.

## Process

- 4.4. Once a titleholder has determined it cannot meet a guaranteed work program commitment and would like to enter into a GSA, NOPTA should be notified in writing.
- 4.5. Any of the titleholders may choose not to apply for a GSA. However, if any of the titleholders do apply, all titleholders are to acknowledge and accept the eligibility criteria. Those participating titleholders to the GSA are only responsible for their participating equity share of the GSA monetary value.
- 4.6. A GSA request should outline the titleholder’s case for a GSA, the proposed value of the outstanding work program commitments and include any supporting documentation.
- 4.7. NOPTA may request additional information and specify a timeframe that it must be provided. Failure to provide the information in the specified timeframe may result in the GSA request being refused.
- 4.8. NOPTA will assess the request and determine if the circumstances of the work program default meet the eligibility criteria and confirm the current market value of the default.
- 4.9. NOPTA will provide advice to the relevant Joint Authority for decision.

## Criteria and eligibility

- 4.10. To access a GSA, the Joint Authority must be satisfied of matters including if the titleholder has made a significant attempt to assess the petroleum potential of the permit area. This includes all of the following:
- a) The completion of at least the seismic surveying commitments.
  - b) Submission to NOPTA of all documentary information, data and relevant title assessment reports, relating to the permit, in accordance with the RMA regulations.
  - c) Acknowledgement that all relevant seismic and well data will become ‘open file’ once the permit is cancelled or expires in default, in accordance with the RMA regulations.
  - d) Written agreement the titleholders will make a public announcement on the GSA within three-months of the final signatory. It is the responsibility of the titleholders to provide a copy of the public announcement to NOPTA. Failure to do so may result in termination of the GSA.
    - Publicly listed companies: an ASX company announcement.
    - Private companies or international entities: notification in a major Australian newspaper and a media release on their website, where applicable.
- 4.11. When assessing eligibility the Joint Authority may also take into account:
- a) If work in excess of the next ranked bidder has been completed.
  - b) The past performance of the titleholders, including the existence of and compliance with GSA’s.
- 4.12. In the instance a company and/or its directors have defaulted on a previous GSA, the Joint Authority may refuse access to a new GSA.

## **Multiple titleholders**

- 4.13. The titleholders may agree for one or more of the titleholders to transfer GSA obligations to other parties. The Joint Authority and NOPTA will play no role in negotiations other than being notified of the agreed percentage of monetary obligations for each party.
- 4.14. The agreed percentage will be used to divide the monetary value of the GSA among those subject to the GSA. This must total 100 per cent of the value of the monetary value.

## **Monetary value and non-acceptable expenditure**

- 4.15. NOPTA will establish the current market value of the defaulted guaranteed work program commitments.
- 4.16. The establishment of the monetary value will take into account the value of the outstanding guaranteed work proposed by the titleholder, any supporting information submitted by the titleholders and the indicative value of the work on the title instrument.
- 4.17. Expenditure on completed guaranteed work program activities before the default permit year cannot be used to discount the value of the GSA. However, the value of any above-commitment work, as varied into the title, may be used to discount the value.
- 4.18. The monetary value of the GSA will be apportioned to each titleholder consistent with the agreed percentage holdings for each party to the GSA.
- 4.19. For the purposes of satisfying a GSA, non-acceptable expenditure includes:
  - permit administration costs
  - expenditure on studies not agreed with the Joint Authority
  - activities in permits obtained from prime/initial acreage release rounds, unless the titleholder was a sole bidder.

## **Minimum terms of a Good Standing Agreement**

- 4.20. The Joint Authority determines the terms and conditions of a GSA on a case-by-case basis taking into account all relevant information provided.
- 4.21. Should the Joint Authority agree to regional studies, the studies are to be completed within three-years from the date of the GSA. All information is to be submitted to the Australian Government, through NOPTA and will be made publically available, in accordance with the RMA regulations.
- 4.22. Expenditure to be credited against the GSA must be expended on operational activities within the guaranteed primary term of a 'qualifying permit' - refer to 4.1 and 4.2 of this guideline.
- 4.23. Operational activities for the purposes of the GSA include acquisition, processing and interpretation of new geophysical and geochemical data and/or drilling activities.
  - Reprocessing of seismic data may be used if the original data was recorded after the date the qualifying permit was granted.
- 4.24. In accordance with the eligibility criteria, those subject to the GSA are to make a public announcement within three-months from the date of the GSA and submit a copy of the announcement to NOPTA.
- 4.25. A GSA does not oblige future bids on re-release acreage.
- 4.26. If those subject to a GSA fail to fulfil the GSA commitments, the entity and where relevant the parent company will be considered to be 'not in good standing' with the Joint Authority for a period of five-years effective from the day the notice of permit cancellation or expiry was published in the [Australian Government Gazette](#).

## Satisfaction of a Good Standing Agreement

- 4.27. Those subject to a GSA must notify NOPTA in writing and provide supporting evidence the GSA has been satisfied.
- 4.28. Companies may be required to submit audited accounts demonstrating the required expenditure commitments have been met. Once this information has been received and accepted, the record will be removed from the 'National Standing Register' and the past performance issue that led to the GSA will not be taken into account by the Joint Authority.
- 4.29. A GSA has been satisfied by:
- Re-released acreage: the completion of the guaranteed primary work program/expenditure of the GSA amount.
  - A successful bid on prime acreage: the completion of the guaranteed primary work program/expenditure of the GSA amount.
  - Regional studies: the completion of the studies within three-years from the date of the GSA and the submission of all data acquired to the Australian Government.

<sup>1</sup> Table of revisions

Date	Version	Purpose	Jurisdiction
May 2016	6	Updated to reference prior usage right requirements under the <i>Environment Protection and Biodiversity Conservation Act 1999</i>	Cth
May 2015	5	Consolidating and streamlining of the Exploration Permit Guideline: <i>Requirements of Bid and Renewal Applications</i> , Exploration Permit Guideline: <i>Assessment of Bid and Renewal Applications</i> and the Exploration Permit Guideline: <i>Permit Conditions and Administration</i> into a single guideline. Wholesale re-write to improve clarity of Joint Authority expectations. Provision of additional flexibility through the primary term becoming a guaranteed three year block of time. Expanded options to satisfy a GSA.	Cth
November 2011	4	Updated to reflect changes to OPGGSA—transfer to NOPTA. Slight Amendments to the financial requirements (paragraph 5.1.2)	Cth
November 2010	3	Wholesale re-write to improve clarity of Joint Authority expectations	Cth
October 2009	2	Update to reflect: <ul style="list-style-type: none"> <li>• OPGGSA numbering</li> <li>• Grammatical errors</li> </ul>	Cth

# APPENDICES

## Good Standing Agreement

