



Petroleum Division Explanatory Note

Obtaining petroleum exploration titles in Western Australia

Date Issued: 4 May 2017

Reviewed: 15 June 2017

PURPOSE

This information has been prepared for companies considering exploring or investing in Western Australia's upstream petroleum industry and as an accessible reference for those companies actively involved in the industry.

The intent of this document is to clarify how the Department of Mines and Petroleum (DMP) encourages the responsible exploration of petroleum, for the benefit of all Western Australians.

This document covers the following exploration titles:

- petroleum exploration permits,
- petroleum drilling reservations,
- special prospecting authority (SPA),
- special prospecting authority with acreage option (SPA AO), and
- the transfer or farm-in to existing petroleum exploration permits or petroleum drilling reservations.

While transfers may also apply to petroleum retention leases and petroleum production licences, the scope of this document is for the exploration phase.

BACKGROUND

The advertisement of blocks for competitive bidding, under Section 30 of the *Petroleum and Geothermal Energy Resources Act 1967* (PGERA67) and Section 20 of the *Petroleum (Submerged Lands) Act 1982* (PSLA82), is the preferred mechanism for industry to acquire an exploration title for petroleum in Western Australia.

DMP will assess competitive bidding applications against publicly available criteria. The criteria provides for the demonstration of coherent geological exploration rationale, technical capability and financial capacity, as well as any other matters for the Minister's consideration.

The criteria ensures that an applicant's demonstrated capability is maintained throughout the application process and may be served on an applicant at any time, during the application process (before an offer for the grant of a petroleum exploration permit or petroleum drilling reservation).

KEY PRINCIPLES

Acreage Release

Releases within Western Australia's jurisdiction are generally made twice a year at significant industry events such as the Australian Petroleum Production and Exploration Association (APPEA) Annual Conference (April–May) and DMP's Petroleum and Geothermal Open Day (September).

The Minister will take the following into consideration when configuring discrete areas for an acreage release:

- nominations received,
- where there has been overlapping SPA AO applications, and
- geological prospectivity, environmental factors, native title and land access considerations.

Areas from previous releases which did not attract successful bids in the first instance are generally considered for a future release.

At the discretion of the Minister, blocks that have been relinquished, surrendered, cancelled or are the subject of an expired title, may be reserved for a period of up to 12 months for consideration for a future acreage release.

An applicant for the award of a petroleum exploration permit or petroleum drilling reservation may be required to provide the Minister evidence of its continued suitability in respect to published criteria, at any time during the application process, until such time as the petroleum exploration permit or petroleum drilling reservation may be offered for grant.

This means applicants are held accountable throughout the application process, including during Native Title future act negotiations, to ensure circumstances remain unchanged.

Nomination of areas

Industry may nominate areas for acreage release at any time and DMP will call for industry nominations before releasing discrete areas for competitive bidding.

Five year acreage release strategic plan

DMP is adopting a medium to long-term strategic plan for acreage releases.

This publically available plan will help inform industry about areas under consideration for competitive bidding and will be presented as an acreage release selection strategy for five consecutive years.

Permit area size

DMP's position is that the number of blocks per acreage release discrete area will be limited to approximately 80. This number of blocks is in consideration of the area which could be effectively explored within a sixteen (16) year period from first grant of the title (initial six years and two five year renewal options).

At the discretion of the Minister, the number of blocks applied for in relation to a petroleum exploration permit emanating from a Special Prospecting Authority with Acreage Option (SPA AO) may be limited to approximately 80 blocks for the reason stated above. For applications exceeding this maximum number of blocks detailed and compelling technical justification will be required.

More than one petroleum exploration permit or petroleum drilling reservation may be applied for, where appropriate, from an SPA AO.

Special Prospecting Authority (SPA) with or without Acreage Option (SPA/AO)

A SPA is a six month short-term title to acquire data from a new petroleum exploration operation (other than the drilling of a well) to identify areas which have the potential for further petroleum exploration. The grant of a SPA will not be considered if the operation proposed may be undertaken without petroleum tenure; e.g. undertaking desk top studies from existing data.

A SPA, under PGERA67 and PLSA82, may be applied for at any time over blocks that are not subject to an in force permit, drilling reservation, lease or licence.

A SPA under the PGERA67 may be granted with an acreage option (SPA/AO) giving exclusive right to apply for a future petroleum exploration permit or petroleum drilling reservation across identified targets. There are limitations as to when an acreage option can be applied for as shown in Table 1 below:

Table 1

Block availability for application	SPA	SPA/AO
Blocks that are vacant and unallocated	Yes	Yes
Blocks in force under a permit, drilling reservation, lease or licence	No	No
Blocks in force under a SPA	Yes	Yes
Blocks in force under a SPA/AO	Yes	No
Blocks the subject of an accepted SPA/AO application	Yes	No
Blocks the subject of an expired SPA where the acreage option is still to be resolved (encumbered blocks)	Yes	No
Blocks identified for an acreage release	Yes	No*
Blocks relinquished from an expired, cancelled, surrendered or determined title within 12 months of cessation	Yes	No*

*Note – interested parties are encouraged to liaise with the Department

The criteria applied in determining if the applicant is deserving of the grant of a petroleum exploration permit or petroleum drilling reservation from exercising an acreage option is exactly the same as that applied in reaching a decision in a competitive acreage release.

The final decision to grant a petroleum exploration permit or petroleum drilling reservation, from an SPA/AO remains at the discretion of the Minister.

Applicants considering a SPA/AO are strongly recommended to meet with the Department before submitting/lodging an application. All discussions are confidential.

Whether a SPA or SPA/AO is sought, the petroleum exploration operation should be commensurate with the number of graticular blocks for the SPA title. Any request for graticular blocks in excess of the petroleum exploration operational area proposed will need to be supported by a detailed exploration rationale and the acceptance of the excess area proposed will be at the discretion of the Minister.

Transfer and farm-in to existing exploration titles

Interests in petroleum exploration permits and petroleum drilling reservations are capable of being bought and sold and there can also be farm-in/farm-outs. All title transfers or amendments to titles need to be approved and registered by DMP as the regulator.

A registration fee based on the DMP assessed value of the transaction will apply to all transfers and farm-in/farm-outs.

In transferring into a title the transferee needs to demonstrate its ability financially and technically to assume the responsibilities of the title.

SUPPORTING INFORMATION

This document has associated supporting information, as shown in the following links:

- [WA Petroleum and Geothermal Guideline for Exploration Permit Management](#)
- [WA Petroleum Guideline - Criteria for Assessment](#)
- [Western Australia's Petroleum and Geothermal Explorer's Guide 2014 Edition](#)

AUTHORITY

Authorised By: EXECUTIVE DIRECTOR - PETROLEUM