



PERMIT CONDITIONS AND PERMIT ADMINISTRATION

The conditions applying to a permit granted under Section 32 of the *Petroleum and Geothermal Energy Resources Act 1967* and Section 22 of the *Petroleum (Submerged Lands) Act 1982*, and the continuing administration of those conditions, will be as follows:

- (a) The permittee will be required to undertake, within the permit boundary, each component of the work program in the designated year, or earlier, and failure to do so may result in cancellation of the permit.

Permit holders are expected to fulfil the minimum work commitment for the first two years without variation. This is known as the firm commitment phase. The balance of the work program may be renegotiated based on, or taking into consideration, the results of prior exploration.

Surrender of the permit in good standing may be agreed providing all conditions relevant to the year in which the surrender is sought have been met, in addition to the submission of all reporting, data and outstanding fees.

- (b) Permittees may apply at any time for a variation or suspension of permit conditions on the grounds of *force majeure*. *Force majeure* refers to an event or effect that cannot be reasonably anticipated or controlled via experience or care. Commercial circumstances that are common risks in the industry would not normally be considered as a basis for *force majeure*. Factors such as changes in oil prices, difficulty in attracting farm-ins, disappointing drilling results, poor quality seismic data or the failure to prove up a prospect would not normally be considered *force majeure* grounds. Such factors may influence the perceived commercial viability of an activity, but would not normally prevent the explorer from adhering to their bid commitment.

When applying for a suspension of permit conditions, permittees may also request an extension of the permit term and these will be assessed on a case-by-case basis.

- (c) Where a permittee has been unable to prove up a prospect to meet a drilling commitment, the permittee may apply for a variation or suspension of permit conditions to commit to more appropriate exploration work. Only where a permittee has demonstrated a significant attempt to meet their work program commitments would a variation or suspension be considered.

- (d) The American Petroleum Institute's well classification is used as a general guide to determine whether a well has sufficient exploration component to meet a work program commitment.

The first appraisal well in a permit on the extension of a discovery made in an adjacent permit will be accepted as an exploration well. Similarly, a well drilled on the unproven extension of an accumulation from an adjacent permit will be accepted as an exploration well.

- (e) Permittees may seek at any time to have an alternative work activity credited as meeting a work program commitment. Whether an alternative work activity meets a work program commitment will be considered on a case-by-case basis, with the criteria for approval being to ensure that the alternative work activity is a similar technique and meets or exceeds the objective of the original work commitment.
- (f) Permittees will be required to comply with the provisions of the relevant Acts, the Regulations and Directions issued under the Acts, and with any special conditions associated with the permit area.
- (g) Applications for operational activities proposed by all title holders will be subjected to stringent geological and geophysical assessments taking into consideration potential adverse impacts upon existing resources. Each activity will be considered on a case-by case basis and take into account possible interference with surrounding operations before approvals are issued. In this assessment, production and discovery will be prioritised over exploration.

Permit Cancellation

Permit holders are expected to maintain permits in good standing and ensure that all obligations under the legislation, Directions and permit conditions, including any special conditions associated with the permit area, are met within the due time frame. Failure to undertake each component of the work program in the designated year or earlier may result in cancellation of the permit.

Where the Minister believes cancellation of the permit is the appropriate course of action; the permit holder will be served notice of intention to cancel the permit in accordance with the provisions of the legislation. Generally, permit holders will be given five weeks within which to submit matters they wish to be considered and taken into account by the Minister reaching its final decision on permit cancellation.

Permit Surrender

Once a permit holder applies to the Minister for consent to surrender the permit, the Minister will consider the application in the context of the requirements of the Petroleum Legislation before giving or refusing consent to surrender the permit.

The Minister's consent to surrender will be conditional on the surrender taking effect in the permit year in which the consent is given. Otherwise additional rental payments and work program commitments could be incurred.

In considering whether the permit holder has complied with the conditions to which the permit is subject and the provisions of Parts III of the Acts and of the Regulations and Directions issued, account will be taken of all relevant requirements, particularly:

- The status of the permit (including fees and monies due) and whether all due work program commitments have been completed.
- The reporting requirements contained in the Directions given to the permit holder and whether all reports and data have been lodged (e.g. reports on specified activities, quarterly reports, annual reports).
- The action taken by the permit holder to ensure that the permit area is clear of all debris resulting from operations and that all wells have been plugged or closed.

To facilitate consideration of applications for consent to surrender, it is expected that permit holders will ensure that the permit is in good standing and that any outstanding reports and data are lodged with the application.

PETROLEUM DRILLING RESERVATION CONDITIONS AND ADMINISTRATION

Petroleum Drilling Reservation (DR) conditions and administration follow closely those for permits. The essential difference is that a well cannot be varied out of the work program and that the DR can only be extended if a well is in progress (a further 12 months) or to enable the conversion of any discovery made to a Petroleum Production Licence or Petroleum Retention Lease.