

AUSTRALIAN PETROLEUM NEWS

NOVEMBER 2001

New Resources Minister and Department

A new Federal Government ministry was sworn in on 26 November 2001 following the recent federal election. It has been announced that the Hon Ian Macfarlane, MP is the new Minister for Industry, Tourism and Resources, with portfolio responsibility for offshore petroleum. Minister Macfarlane comes from Queensland and was first elected to the House of Representatives in 1998. He was previously the Minister for Small Business.

The new Government has also made some changes to Federal Government Departments. Administrative responsibility for offshore petroleum matters rests with the Department of Industry, Tourism and Resources (previously ISR). Geoscience Australia (previously AGSO) also comes under Minister Macfarlane's portfolio.

Any changes to our Departmental website and e-mail addresses will be advised in a future newsletter.

Proposed Areas for Release in 2002

A map is attached [[click here](#)] showing the 41 areas currently being considered for release in 2002. Preliminary advice on these areas is provided to industry to allow greater lead time for assessment of areas and to facilitate speculative seismic acquisition. However, interested parties should note that the proposed areas have not been finalised and may change before the formal acreage release at the APPEA Conference in April 2002.

The areas being considered are located in:

- Arafura Basin (Northern Territory)
- Petrel Sub-basin (Northern Territory)
- Sahul Platform (Northern Territory)
- Vulcan Sub-basin (Ashmore & Cartier Islands)
- Rowley Basin (Western Australia)
- Exmouth Plateau (Western Australia)
- Dampier, Barrow and Exmouth Sub-basins (Western Australia)
- Ceduna Basin (South Australia)
- Otway Basin (South Australia, Victoria, Tasmania)
- Gippsland Basin (Victoria)
- Bass Basin (Tasmania)

Award of Offshore Exploration Permits from the 2000 and 2001 Acreage Releases in the Northern Territory & Western Australia adjacent areas

Details of the offshore exploration permits awarded recently from the 2000 and 2001 acreage releases are set out below. It is expected that further permit awards will be advised in the next edition of this newsletter.

<u>Area No</u>	<u>Basin</u>	<u>Permit No</u>	<u>Date Granted</u>	<u>Successful Applicant(s)</u>
W00-31	Browse	WA-314-P	12 Nov 2001	Liberty Petroleum Corporation
W00-32	Browse	WA-315-P	12 Nov 2001	Liberty Petroleum Corporation
NT01-1	Bonaparte	NT/P61	4 Nov 2001	Santos Offshore Pty Ltd

Permits WA-314-P and WA-315-P (Liberty Petroleum Corporation) each have guaranteed work programs for the first three years involving seismic surveying, geophysical studies and one well, estimated at A\$23.73 million. The secondary work programs both propose geological, geophysical and geochemical studies and two wells, estimated at A\$33 million each.

Permit NT/P61 (Santos Offshore Pty Ltd) has a guaranteed work program for the first three years involving seismic reprocessing, geological and geophysical studies and one well, estimated at A\$17 million. The secondary work program proposes seismic surveying and geological and geophysical studies, estimated at A\$2 million.

The permits are awarded for a term of six years under the work program bidding system, and each component of the programs must be completed in the designated year or earlier.

Current areas available for bidding in the 2001 Acreage Release

Companies are reminded that the 2001 second round areas remain open for bidding until 11 April 2002:

W01-2 to 9	Browse Basin
W01-16 to 26	Houtman/Abrolhos Sub-basins
V01-1 to 3	Otway Basin
V01-4	Gippsland Basin
S01-1 to 3	Duntroon Basin
T01-1 to 3	Sorell Basin

Further information on these areas can be found on our website at:

<http://www.isr.gov.au/resources/petroleum.html> or you can request a CD-ROM to be sent to you by e-mail: petroleum.exploration@isr.gov.au.

Re-release of areas from the first close of the 2001 Acreage Release.

The following areas have been re-released. The closing date for bids on these re-released areas will be 11 April 2002.

W00-24	Bonaparte Basin
W00-53	Carnarvon Basin
NT01-2 to 5	Bonaparte Basin
AC01-1	Vulcan Sub-basin
W01-1, 10, 11 and 14	Carnarvon Basin

The re-released areas include two 2000 areas that received bids but did not result in the award of permits. The 2001 areas were not bid on in the first round of the 2001 acreage release.

The policy of re-releasing areas not successfully bid on was adopted to enable permit holders to maintain their good standing after a permit is cancelled. However, the re-released areas are open to all interested bidders under the work program bidding system.

Advertising in the 2002 Acreage Release Package

This newsletter and the annual acreage release CD-ROM is now mailed to over 700 people in the industry, both domestically and internationally (including USA, Canada, Japan, Korea, China, India, Europe and the UK).

Support industries, such as seismic companies, are able to advertise their products & services that are applicable to the areas in the release package. We encourage potential bidders to visit the 'Products & Services' section of the CD-ROM to ensure you garner all the information and activities available for the various areas.

Companies interested in placing advertising in the acreage release package should register their interest (no obligation) by e-mail to: petroleum.exploration@isr.gov.au. Advertising is placed on the CD-ROM, and can be hotlinked back to your company home page. The cost for this advertising is A\$2,200 including 10% GST (for the equivalent of up to 4 pages). Expressions of interest should be received by the end of December, with pdfs of your advertising to be forwarded to the e-mail address above by 15 February 2002.

Guideline Revisions

A number of revisions are being made to the following Administrative Guidelines associated with exploration under the *Petroleum (Submerged Lands) Act* (PSLA):

Applications for Exploration Areas

Bid Assessment Criteria

Permit Conditions and Administration

Release of Information.

Substantial changes are being made to the *Release of Information* guideline to reflect amendments to the PSLA that came into effect on 7 March 2000. In addition, advice on the circumstances where purchased 3D data can count towards a work program commitment is being moved to the *Permit Conditions and Administration Guideline*.

Minor amendments to the other guidelines will provide clearer advice to industry by simplifying wording, removing ambiguity and ensuring advice is located in the most appropriate guideline.

No significant changes in policy are involved. However, in the *Permit Conditions and Administration* guideline, there will be minor revisions to the advice on good standing and to the circumstances where a rig or vessel delay may constitute *force majeure* grounds for a suspension or extension.

The revised guidelines will be posted on the DITR Website* early in December and will be included in the 2002 Offshore Acreage Release Package.

* http://www.isr.gov.au/resources/petr_legislation/index.html

Draft Decommissioning Guideline

The Petroleum and Electricity Division of DITR has developed a draft Decommissioning Guideline, in consultation with State/Northern Territory mining departments and the petroleum industry. The objective of this Guideline is to assist companies in the decommissioning of offshore petroleum facilities and other structures in compliance with Commonwealth legislation and international conventions.

The Upstream Petroleum Sub-Committee (UPSC) considered the draft Guideline at its last meeting of 1 November 2001, and asked members to provide any further comments on the draft. DITR has now prepared a revised draft of the Guideline, and industry will be given further opportunity to comment on the revised draft, before it is submitted for Ministerial clearance. For further information on the draft Decommissioning Guideline contact Willie Senanayake at DITR (Phone: (02) 6213 6406; e-mail wsena@isr.gov.au).

Amendments to the PRRT

Two technical amendments have been made to the Petroleum Resource Rent Tax (PRRT) in October 2001. These two amendments affect how companies calculate their PRRT.

Change to Five-Year Rule

The amendment to the 'five year rule' removed an anomaly in the reference date, ie the date that determines whether unused expenditures are compounded at the risk adjusted augmented bond rate or GDP factor rate.

Previously, the reference date was five years before the issue of a production licence. The problem with that situation was that delays by Government in issuing the production licence, which were not the fault of the applicant, could adversely impact the treatment of their expenses.

The potential for this anomaly was removed by changing the reference date to the date when the Designated Authority (DA) receives a complete production licence application. Once an application has been received, the DA will determine within 28 days whether all relevant information has been provided and, if satisfied that it has, will issue a statement of receipt to the ATO specifying the date of receipt of the application.

Gas Transfer Price Methodology

The Government, in consultation with industry, developed the gas transfer price methodology to alleviate uncertainty surrounding integrated gas to liquids projects that source their natural gas in Commonwealth waters. This uncertainty existed because the natural gas production phase of the project is subject to PRRT, while the conversion of the natural gas to other products, such as liquefied natural gas (LNG) or methanol, is not. When projects producing these products have an integrated ownership, an "arms length" price may not be negotiated when the gas is moved from the PRRT ringfence to the downstream processing phase, resulting in uncertainty regarding how to equitably apportion rents.

The Commonwealth announced in December 1998 that it would use the "residual price methodology" (RPM) to determine the gas transfer price. This price is used to

determine the project's PRRT liability. The gas transfer price only applies when no comparable commercially negotiated arms length price is available.

The RPM is based on established financial formulae and published data, which allows investors to forecast the tax liability for their project. Two widely accepted formulae, utilising the netback and the cost plus approaches, are used to determine notional gas prices for the upstream and downstream components.

The netback method identifies all the relevant costs incurred in the downstream operation, and then subtracts those costs, including an allowance for capital expenditure, from the total revenues realised from selling the liquefied product. This provides a notional maximum "arms length" price a downstream producer (liquefier) can pay for the natural gas feedstock in order to earn the minimum return necessary to continue production.

The cost plus price does not reference the final market LNG price, rather it is based on the total costs in the natural gas production process, including an allowance for capital expenditure. This provides the notional minimum price the upstream producer requires to continue supplying natural gas to the LNG plant.

Where there is no comparable uncontrolled price for sales gas, the Commissioner will now use the RPM to determine a price for tax purposes. GTP Regulations implementing the RPM are currently being drafted and the industry will be consulted before they are finalised and released in 2002.

Name Change for AGSO and Merger with AUSLIG (Australia's National Spatial Information Agencies)

In November the Government announced that AGSO would in future be known as Geoscience Australia. This follows an earlier announcement in September that AGSO would merge with AUSLIG, Australia's national mapping agency. Both agencies acquire, process, analyse and disseminate fundamental spatial information in one form or another.

The merger has created a more robust Geoscience Australia, better equipped to carry out these responsibilities. The announcement came at the same time as the Government's new Spatial Data Access and Pricing Policy was released. The policy means free access to Commonwealth fundamental spatial data available on-line. Spatial data not available on-line is now provided at the marginal cost of transfer. The policy also removes restrictions on commercial use or value-adding activities related to Commonwealth spatial data.

The new website address for Geoscience Australia is www.ga.gov.au .

Single Entry Point to Australian Geoscience

Geoscience Australia has collaborated with its State and Northern Territory counterparts to establish a national geoscience portal which was launched in November. The portal, www.geoscience.gov.au, provides one point of entry to fundamental geoscience data and information. Investors and explorers can access geoscience information at a national level and further refine their searches down to regional and local scales via pathways to the relevant State and Territory datasets. This initiative of the Chief Government Geologists is designed to improve general accessibility to fundamental data by integrating disparate agency systems into a single user interface via the web browser. As well as benefiting the petroleum exploration industry, this initiative will also be valuable in land management studies and in the mitigation of public risk to natural hazards.

Geoscience Australia's Data Repository

One year has passed since the relocation and integration of all Commonwealth held petroleum data at Symonston in the ACT. The relocation of digital PSLA data from the former Chester Hill repository to Symonston's core, cuttings and reports repository has produced Australia's, and one of the world's, largest petroleum data collections. Geoscience Australia's vast collection of cores, cuttings, seismic, navigation and other geoscientific data provide valuable information to the petroleum industry and research organisations.

Geoscience Australia's Data Repository has continued to improve data availability and client access to petroleum data in its collection. The introduction of map enabled query forms allow clients to search a petroleum meta-database on the web through either word searches or by 'zooming' in on geographic regions of interest with a mouse. The results of all queries will display the data which is available in the Data Repository. Ordering of data can also be done over the web by selecting the relevant data returned from a query and submitting an order form. Many requests for data are now conducted by using the on-line web ordering facilities.

The vast majority of data in the collection results from the compulsory lodgement of data with the Commonwealth Government under the *Petroleum Search Subsidy Act 1957* or the *Petroleum (Submerged Lands) Act 1967*.

The digital data in the collection is on media such as 3590 cartridges, 3480 cartridges, DLT cartridges, 8mm cartridges, 4mm cartridges, 9 track tapes and 21 track tapes. The majority of the data, in physical volume, is on 9 track tapes and 21 track tapes. A program was established to remaster obsolete media types such as the 9 track tapes, 21 track tapes and 3480 cartridges to high density media such as 3590 cartridges. In the past six months the petroleum industry has carried out \$395,000 worth of remastering from data that it has borrowed. This program not only reduces the physical volume of the data set but also preserves the data in a more useable and robust form. There are approximately 570,000 magnetic tapes in the collection.

The Data Repository holds over 10,000 well and survey reports. The survey reports are from gravity, magnetic or seismic surveys.

The Data Repository holds in its collection catalogued cores and cuttings, side wall cores (SWC), fluids and gases, thin sections and other prepared samples from petroleum exploration conducted since the 1930s and are archived on over 30 line kilometres of shelving. Included in the collection are stratigraphic drill holes and

some water boreholes which pre-date the 1930s. There are over 150,000 metres of down hole core drilling and over 3 million metres of down hole drill cuttings from over 5,500 wells. In addition over 1200 open file destructive analysis reports (DAR's) are available.

Facilities are provided at the Data Repository for:

- Inspection and non-destructive testing
- Gravimetric and chemical tests
- Core slabbing, plugging
- Photography
- Sampling
- Destructive testing is available under certain conditions

The rock collection comprises approximately 500,000 individual samples which were collected by Geoscience Australia during project work over the past 50 years. Derivative material from these rock samples such as powders for chemical analysis, mineral separates and thin section off-cuts may also be available.

The Palaeontological collection comprises of samples collected by Geoscience Australia, samples acquired by exchange or donations and a special reference collection called the Commonwealth Palaeontological Collection (CPC).

The Minerals Collection consists of samples collected in Australia and worldwide. Collectors and institutions have also donated many specimens to Geoscience Australia. Some collections are held on behalf of the National Museum of Australia. A large selection of mineral specimens are on display in the foyer of Geoscience Australia.

The economic and environmental benefits brought to Australia due to Geoscience Australia's Data Repository are invaluable. The collection itself is a real history of geoscience in Australia.

For further information contact Edward De Zilva, Geoscience Australia, on:
Phone: +61 2 6249 9222 or Fax: +61 2 6249 9903 or
email: ausgeodata@ga.gov.au

Australian Petroleum Statistics a leading indicator

The collapse of Ansett Airlines and the events of September 11 have resulted in a noticeable decline in sales of aviation turbine fuel in Australia. Sales during September totalled 376 megalitres (ML), a sharp reduction from August sales of 438 ML. "The decline in sales of aviation turbine fuel is a consequence of the reduction in both domestic and international air travel experienced in September" reported Cameron Allen, petroleum analyst for the Department of Industry, Tourism and Resources (DITR). These observations were published in the September issue of *Australian Petroleum Statistics*.

Every month the Refining and Fuels Section of DITR publishes a comprehensive aggregation of Australia's petroleum market. *Australian Petroleum Statistics* reports monthly statistics on production, refining, stocks and consumption as well as import and export data. This publication is the primary source of industry data on the Australian petroleum market.

The data is sourced from all major producers, refiners and retailers within Australia. Monthly, quarterly and annual statistics are then compiled to produce a comprehensive breakdown of the various petroleum products in state jurisdictions and for the nation as a whole. *Australian Petroleum Statistics* puts domestic petroleum pricing in context by providing the OECD breakdown of petrol and diesel prices internationally, showing Australia's prices and taxes relative to other OECD countries.

Each month aggregated market figures are reported by DITR to the International Energy Agency as part of an international responsibility in accordance with the Liquid Fuels Emergency Act. The data is used to assess the supply and demand balance for crude oil and petroleum products in Australia, and analyse trends in the petroleum industry.

DITR is presently undertaking an upgrade of their data collection and reporting methodologies through the introduction of the new Petroleum Statistics Information Management System (PSIMS) database. This upgrade will incorporate leading market technologies to enhance data collection, and improve the accessibility of the publication by making it available in electronic format.

Australian Petroleum Statistics has become a useful tool for stakeholders in the petroleum industry as well as researchers and those interested in tracking the Australian petroleum market. The introduction of the PSIMS database will improve the integrity and quality of petroleum market statistics, and provide the capacity for a wider distribution of this significant publication.

The monthly publication is available for subscription for \$270 per annum, or \$27 per monthly issue. Subscribers include industry leaders, State and Federal Government departments, consultancy firms, media groups, and international organisations from countries such as France, USA, Singapore, Japan, Austria and Switzerland. Historical information dating back as far as 1983 is also available and can be provided in response to individually tailored requests on a fee for service basis.

For subscription enquiries or to discuss customised reports please contact:

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