

Economics Legislation Committee
ANSWERS TO QUESTIONS ON NOTICE
Industry, Innovation and Science Portfolio
2017 - 2018 Budget Estimates
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AGENCY/DEPARTMENT: DEPARTMENT OF INDUSTRY, INNOVATION AND SCIENCE

TOPIC: Retention leases transitioning to production fields

REFERENCE: Written Question – Senator Xenophon

QUESTION No.: BI-81

In respect of retention leases transitioning to production fields:

1. What is the process?
2. What are the minimum, typical and maximum time frame for approvals and execution of drilling?

ANSWER

1. The development of resources held within retention leases will normally involve a range of operational activities and regulatory approvals with key decision points for titleholders and regulators during this process.

Regulatory approvals are required by the Joint Authority and the National Offshore Petroleum Safety and Environmental Management Authority (NOPSEMA) before development activities and production may commence. These approvals are governed by the *Offshore Petroleum and Greenhouse Gas Storage Act 2006* (OPGGSA) and associated regulations. The key regulatory approvals required from the Joint Authority are granting of a Production Licence, acceptance of a Field Development Plan, approval of rate of recovery and equipment and procedures. In addition to this a range of approvals are required from NOPSEMA before operations and production can commence.

The key activities that would normally be undertaken by a titleholder in progressing the development of a resource held within a retention lease and the relevant decision makers are outlined in the table below:

Activity	Description	Decision Maker
Appraisal	May involve re-processing of existing seismic, shooting new seismic or drilling of additional wells to reduce technical uncertainty associated with resource	Titleholder
Concept screening	Review of all potential alternatives for the development of the resource	Titleholder
Concept select	The selection of a preferred development concept for detailed consideration	Titleholder
Pre – Front End Engineering and Design	Refine preferred development concept to reduce uncertainty and enable reliable costings to be determined for preferred development concept	Titleholder

Front End Engineering and Design (FEED)	Detailed engineering studies of the preferred development concept, costings from vendors based on engineering and design requirements	Titleholder
Application for Production Licence	A retention lease holder may apply for a production licence at any time. Only criteria is that the block(s) contain petroleum	Joint Authority
Application for Infrastructure Licence	May be required in some circumstances	Joint Authority
Acceptance of Field Development Plan (FDP)	An application for acceptance of a FDP can only be made after a Production Licence application has been lodged	Joint Authority
Final Investment Decision (FID)	Normally occurs after FEED has been completed and offer has been received for the grant of a Production Licence and acceptance of FDP. Decision based on titleholder assessment of commercial viability and the potential for the project to meet economic hurdles	Titleholder
Grant Production Licence	Blocks covered by retention lease are granted as a Production Licence	Joint Authority
Accept FDP	Final FDP for the resource is accepted	Joint Authority
NOPSEMA Approvals	A range of approvals are required before commencing operational activities, these may include Environment Plan, Well Operation Management Plans and Safety Case.	NOPSEMA
Development activities	Drilling of wells and installation of relevant infrastructure and pipelines	Titleholder
Rate of Recovery and Equipment & Procedures Approvals	Titleholder must seek approvals prior to commencing production. Normally occurs immediately before first production	Joint Authority
First production		Titleholder

2. The timeframes associated with the development of a resource will depend on the complexity of the resource and associated development concept.

The regulatory approvals required to enable a titleholder to commence development would typically take between 6 and 12 months depending on the resource and associated development concept.

The time taken to bring a resource currently held within a retention lease into production will vary depending on the stage of maturity of the resource and development concepts under consideration. Typically development may require between 3 to 6 years from a production licence being granted to the time of first petroleum production. It should be noted that these timeframes presume all necessary work has been completed to enable a positive final investment decision. Gas projects, which require more infrastructure, are typically more complex and take longer to commercialise than equivalent oil projects.