



Queensland

Petroleum Regulation 2004

Explanatory Notes for SL 2004 No. 310

made under the

Petroleum Act 1923

General Outline

Objective of the legislation

To provide, an effective and efficient regulatory system for petroleum tenures administered under the *Petroleum Act 1923*.

Reasons for the subordinate legislation

The Regulations are required to support the policy objectives of the *Petroleum and Gas (Production and Safety) Act 2004* and the amended *Petroleum Act 1923*.

The Regulations provide detailed requirements for matters such as reports and information, notices, records and samples, fees, rents, plugging and abandoning wells, filling of shot holes, and the establishment of the petroleum register.

The details provided for in the Regulations ensure that there is an adequate level of information being supplied in relation to applications and with respect to the results of authorised activities. The required application information is the minimum needed to enable the State to make an informed decision to grant or refuse the application. The information allows the State to better manage the granting of exploration and production tenure to optimise the benefit

of these resources to the community. Provisions relating to the results of authorised activities are needed for both compliance monitoring and as a means of determining the possibility of any liability in relation to authorised activities becoming the responsibility of the State.

The specification of rents and fees payable provides certainty in relation to the amounts that the holder of a 1923 Act petroleum tenure will have to pay. Application fees have generally been set at a level that covers the cost of assessing an application.

The Regulation needs to be read in conjunction with the *Petroleum and Gas (Production and Safety) Regulation 2004* which provide for safety requirements and royalty payments for activities under the *Petroleum Act 1923*.

Transitional provisions are provided in relation to the requirement to give notice before carrying out activities and the timing for when reports are to be submitted. These transitional provisions are needed to assist with a smooth transition to the new Regulation.

Consistency with authorising law

The proposed Regulation is consistent with the authorising law.

Fundamental legislative principles

The proposed Regulation is consistent with the fundamental legislative principles set out in section 4 of the *Statutory Instruments Act 1992*.

Consultation

The Department of State Development and Innovation's Business Regulation Reform Unit confirmed that a regulatory impact statement (RIS) was required under the provisions of the *Statutory Instruments Act 1992* and were satisfied with the final RIS that was released for public consultation.

Stakeholders were notified about the RIS and draft Regulation by advertisements in the Australian and Courier Mail newspapers on 27 October 2004 and notification in the Queensland Government

Gazette on 29 October 2004. Comments on the RIS and draft Regulation closed on 26 November 2004.

Letters were sent to approximately 200 stakeholders advising them of the RIS and draft Regulation. Also, 120 stakeholders were similarly notified by email.

There was one response specifically on the RIS and that was made by the Queensland Resources Council. However, there were three submissions from external stakeholders and one from a Queensland Government agency.

The key issue for stakeholders was that they considered that the reporting requirements are onerous in relation to the amount, timing and in some cases duplication of required information. Many of these reports are currently prepared by the petroleum industry as a routine part of their business. Each report is intended to be a stand alone document, and the duplication of information in some reports is unavoidable if the reports, particularly in relation to well abandonment, are to be readily accessed in the future.

Notes on Provisions

Section 1 provides for the short title of the Regulation.

Section 2 provides that the Regulation is to commence on 31 December 2004.

Section 3 provides for the dictionary in schedule 4 to define particular words used in the Regulation.

Section 4 clarifies that information included in the section headings refers to comparable sections of the *Petroleum and Gas (Production and Safety) Regulation 2004*.

Section 5 defines particular phrases used in the division about the content of reports required under the Act.

Section 6 prescribes the additional information to be supplied to assist in the assessment of proposed work programs lodged for authorities to prospect. The work program must include matters about the geological model, an assessment of the factors used to ascertain the area's petroleum potential and the relevance of the proposed activities to test the geological model.

Section 7 prescribes additional details that must be included with the proposed later development plan for a lease which are considered in deciding whether to approve the proposed later development plan. The additional information in relation to each natural underground reservoir is to assist in determining whether the area of the proposed lease is appropriate. Information in relation to proposed infrastructure is needed so that the full impact of authorised activities can be assessed.

Section 8 prescribes the information that must be included in the notice informing the chief executive of the conversion of a petroleum well to a water supply bore. The provision of this information ensures that the conversion has been undertaken by a licensed water bore driller before the well can be used as a water supply bore or water observation bore or transferred to the landowner.

Section 9 prescribes the specific details that must be included in the relinquishment report required on relinquishment of an area by an authority to prospect holder. The report provides for a summary of the activities and results in relation to the land being relinquished. This information is required so the State and future explorers have access to information about authorised activities carried out on the area. Information in these reports is useful in deciding the land to be made available in a future call for tenders for an authority to prospect under the *Petroleum and Gas (Production and Safety) Act 2004*.

Section 10 prescribes the specific details that must be included in the relinquishment report for a petroleum lease. The report provides for a summary of the activities and results in relation to the land being relinquished. This information is required so the State and future explorers have access to information about authorised activities carried out on the area.

Section 11 provides that an end of tenure report must include any information consistent with a relinquishment report for an authority to prospect or petroleum lease. If the information has previously been lodged in a surrender or relinquishment report for the tenure, then the information does not have to be submitted in this report as this is duplication of effort.

Section 12 specifies the details that must be included in the annual report for an authority to prospect. This report is to provide a summary of the activities undertaken during the year. This is a key element in monitoring compliance, especially in relation to the approved work program. The volume, or an estimate of the volume, of

associated water and other underground water that was necessarily taken during the reporting period as part of petroleum production under the authority is also to be reported. This volume is to include water taken as part of any testing for petroleum production or from a water supply bore. The annual report is to be accompanied by the expenditure statement. This expenditure statement is not part of the annual report and therefore is not to be made available after any confidentiality period ends.

Section 13 specifies details that must be included in the annual report for a petroleum lease. These details include the volume of petroleum produced and its subsequent disposal or use. This information is needed in order to ensure compliance with the conditions for the lease. An expenditure statement is required to accompany the annual report. This expenditure statement is not part of the annual report and therefore is not to be made available after any confidentiality period ends.

Section 14 specifies details that must be included in a surrender report that is to accompany an application to surrender an authority to prospect. The report is also to document the activities undertaken under the authority to prospect.

Section 15 sets out the purpose of the following division.

Section 16 provides for notices of intention to drill a well or bore to be given by a 1923 Act petroleum tenure holder. The notice is required before the well or bore is drilled and includes where it is to be drilled. Thus the State is fully informed about the likely location and type of current drilling activity.

Section 17 provides for the notice of a change in status of a well to be given by the holder. The submission of this notice is to ensure that the State is aware of the current status of all wells. This information is important as there are specific requirements in relation to a well that are needed to be addressed before a well can be transferred. The report also provides a mechanism to confirm the need or otherwise for an abandonment report for a well.

Section 18 provides for the notice of intention to conduct a seismic survey or scientific or technical survey. The types of scientific or technical surveys include geochemical, geophysical and geotechnical surveys. The notice is required so the State is informed before the survey is carried out and where it is to be conducted.

Section 19 provides for the notice of completion of a seismic, scientific or technical survey. The notice is required so the State can monitor the lodgement of the relevant report about the survey by the petroleum tenure holder within the required time.

Section 20 specifies the details that must be included in a well proposal report required to accompany a notice of intention to drill a well. The information in a well proposal report is intended to document the rationale for the drilling and the techniques to be used in the drilling and completion of a well. The documentation of the rationale is useful as it provides the geological and geophysical data used in selecting the natural underground reservoir to be tested.

Section 21 provides for the specific details that must be included in a daily drilling report by the holder of a 1923 Act petroleum tenure. The daily drilling report provides information in relation to the activities being undertaken at the well site and the results of drilling. This information is useful when a discovery of petroleum is made as the report ensures that the State has sufficient information to assess the significance of the discovery.

Section 22 requires a 1923 Act petroleum tenure holder to lodge a well completion report and sets out the specific details that must be included in it. If the well is plugged and abandoned before the rig release date, the well completion report must be accompanied by a well abandonment report. The well completion report documents the actual technique used in drilling of the well, as well as results of drilling and any subsequent analysis. The report is important in documenting the outcome of the drilling and completion of the requirements for a well proposal report.

Section 23 requires a 1923 Act petroleum tenure holder on plugging and abandoning a well or bore to lodge a well or bore abandonment report and sets out the specific details that must be included in it. This information is required to ensure that the well has been properly abandoned and that activities undertaken since the well or bore was completed are properly documented. The documentation is also important for identifying and recording potential hazards that may be created with respect to the future safe and efficient mining of coal. The report also provides evidence that a well has been properly abandoned before the petroleum tenure ends.

Section 24 requires a 1923 Act petroleum tenure holder on carrying out a seismic survey or reprocessing data from a seismic survey to lodge a seismic survey report and specifies details that must be

included in it. The information is to ensure that all aspects associated with the survey are properly documented. This relates to the conduct of the field survey, the processing of the data, and the interpretation of the processed data. The report must be accompanied by the digital data, field data and processed data. The provision of the digital data field data enables the data to be made available to future explorers to reprocess the data using latest technology. Availability of processed data enables future explorers to assess the seismic data without incurring the cost of processing the data. The content of a seismic survey has been specifically stated as it is the most common method used in identifying a natural underground reservoir for drilling.

Section 25 requires a 1923 Act petroleum tenure holder, not later than six months after the completion day for a scientific or technical survey, to lodge a scientific or technical survey report and specifies the details that must be included in it. The information in the report relates to the location of, the methodology used and results of the survey including geophysical and geochemical surveys.

Section 26 provides for the definition of ‘6 month period’ used in the following provisions.

Section 27 provides for the units to be used in reporting the volume of water, a petroleum product or other substance.

Section 28 requires a 1923 Act petroleum tenure holder to lodge a petroleum production report at six monthly intervals and specifies the details that must be included in it. The volume, or an estimate of the volume, of associated water taken from each natural underground reservoir is also to be included in the report. This report is intended to document the produced petroleum that is used or its manner of disposal. The report also requires information in relation to the number of wells used to produce the petroleum. This provides an indication of the production performance of the natural underground reservoir.

Section 29 provides that, if there are proved and probable reserves of petroleum in the area of a 1923 Act petroleum tenure, the holder is to lodge a petroleum reserves report at six monthly intervals and specifies the details that must be included in it. The information ensures that the State is adequately informed of the current petroleum reserves in Queensland. This information is important for the State to manage its resources and to address any potential insufficiency in supply. This information compliments the petroleum production report.

Section 30 provides that, if production testing for a well is carried out under a 1923 Act petroleum tenure, the holder is to lodge a petroleum testing report and specifies details that must be included in it. This information provides details of the likely capability of a natural underground reservoir to produce commercial quantities of petroleum. The results of this testing, assists in determining the techniques to be used for producing the petroleum and likely reserves in the natural underground reservoir.

Section 31 provides for the period for which samples must, under the Act, be kept and how the samples are kept. Although the State requires samples to be submitted, the remaining samples are to be kept to ensure that there is an additional set of samples available. If the samples are from a well of particular interest, the State may request additional amounts of the sample to be submitted from those held by the 1923 Act petroleum tenure holder.

Section 32 requires a 1923 Act petroleum tenure holder to keep the cutting samples of the geological formations penetrated as part of drilling a well and specifies the details about the cutting samples taken, and when and where the samples are to be lodged. The amount of cutting samples to be submitted is intended to provide enough material to allow for later additional analysis to be undertaken. The ability to undertake additional analysis on existing samples assists in ensuring that exploration programs are undertaken on the best available geoscientific information.

Section 33 requires the 1923 Act petroleum tenure holder keep cores recovered from a well, and specifies what part of, when and where the samples are to be lodged. The amount of core samples to be submitted is intended to provide enough material to allow for later additional analysis to be undertaken. The ability to undertake additional analysis on existing samples assists in ensuring that exploration programs are undertaken on the best available geoscientific information. Core samples are particularly useful as the cores are generally accurately located and are not contaminated by mixing of rock types as is the case for cuttings. The cores also provide a continuous section through the rocks intersected and enable a more accurate interpretation of the geological significance, including origin, of the rocks.

Section 34 requires the 1923 Act petroleum tenure holder keep samples of liquid petroleum recovered from a well and specifies what part of, when and where the samples are to be lodged. The amount of fluid samples to be submitted is intended to provide enough material

to allow for later additional analysis to be undertaken. The ability to undertake additional analysis on existing samples assists in ensuring that exploration programs are undertaken on the best available geoscientific information. The availability of fluid samples is of particular benefit in relation to determining the origin of petroleum in natural underground reservoirs. This information is useful in the development of geological models used to explore for petroleum.

Section 35 provides for the various periods during which different types of reports may not be published by the chief executive. The confidentiality period does not apply if the required information relates to an authorised activity conducted on the area of a 1923 Act petroleum tenure that is no longer within the area of the tenure. The confidentiality period reflects the type of information and its commerciality in relation to the holder. This is reflected in that information of greater commercial significance has a longer confidentiality period.

Section 36 provides for the ways in which required information may be published by the chief executive.

Section 37 requires wells and bores to be plugged and abandoned in accordance with schedule 1 and with sections 69 and 70 the *Petroleum and Gas (Production and Safety) Regulation 2004* where applicable. If the well or bore is plugged in accordance with those requirements, it is considered to have been done in a manner that achieves an acceptable level of risk with respect to a person undertaking future coal mining operations of the coal seam intersected by the well or bore.

Section 38 provides for requirements with respect to abandoning a shot hole. The hole must be plugged and hole site returned as far as practical to its original state. However, any environmental conditions that are inconsistent with this requirement prevail.

Section 39 provides that the fees under the Act are set out in schedule 2.

Section 40 sets out the fees for annual rent for authorities to prospect and leases. The section also prescribes the method of payment of and when the rent is to be paid. If during a year a 1923 Act petroleum authority is surrendered, then that part of the rent for the remainder of the year may be refunded.

Section 41 provides for the form of payment of security and the minimum amount to be given to the State for an authority to prospect

or lease. Security is required to ensure that the State minimises any loss associated with a liability incurred because of an act or omission by the authority or lease holder, for example, not paying monies owed or failure to submit required reports.

Section 42 prescribes the rate of interest of 15% a year for amounts owing to the State.

Section 43 provides that schedule 3 specifies details that must be included in the petroleum register.

Section 44 provides for the definitions to be used in chapter 4.

Section 45 repeals the existing *Petroleum Regulation 1966* made under the *Petroleum Act 1923*. This Regulation replaces the *Petroleum Regulation 1966*.

Section 46 provides that if a person gave a notice of intention to drill a well under section 114 of the *Petroleum Regulation 1966*, then the person is taken to have complied with a notice of intention to drill under this Regulation or section 31 of the *Petroleum and Gas (Production and Safety) Regulation 2004*.

Section 47 provides that if a person was required to give a report under the *Petroleum Regulation 1966* then that obligation continues even after the commencement under this Regulation or the *Petroleum and Gas (Production and Safety) Regulation 2004*.

Section 48 provides that if an event occurred in the period up to six months after the commencement of these Regulations, then a person can submit a report or notice that is consistent with the requirements under the repealed Regulation. A report that does not wholly comply with the requirement under this Regulation or the *Petroleum and Gas (Production and Safety) Regulation 2004* can be submitted in relation to that event. This provision is intended to assist in the transition to the new Regulation during a period when holders of a petroleum tenure under the *Petroleum Act 1923* or petroleum authority under the *Petroleum and Gas (Production and Safety) Act 2004* become aware of the requirements in the relevant sections.

Schedule 1 prescribes requirements for plugging and abandoning wells and bores. These requirements have been put in place to provide an effective method for reducing their impact on future safe and efficient coal mining. They include how wells are to be capped and sealed. It is intended that steel casing should be removed where it is normal practice to do so, but where casing is cemented in place and it

is not intended to be removed, the well is to be abandoned. This provides an agreed method which will ensure the well can be efficiently re-entered by a future underground coal miner and the steel casing milled out from the surface prior to mining to ensure this potential hazard is removed.

Schedule 2 specifies the fees as provided for in the Act.

Schedule 3 provides for the specific details that must be included in the petroleum register.

Schedule 4 gives the meaning of particular terms used in the Regulation.

ENDNOTES

- 1 Laid before the Legislative Assembly on . . .
- 2 The administering agency is the Department of Natural Resources and Mines.