Petroleum Legislation Amendment Regulation (No. 1) 2015

Explanatory notes for SL 2015 No. 51

made under the

Mineral Resources Act 1989

Petroleum Act 1923

Petroleum and Gas (Production and Safety) Act 2004

General Outline

Short title

Petroleum Legislation Amendment Regulation (No. 1) 2015

Authorising law

Sections 141, 194 and 417 of the *Mineral Resources Act 1989*

Sections 76A, 76G and 149 of the *Petroleum Act 1923*

Sections 547, 553 and 859 of the *Petroleum and Gas (Production and Safety) Act 2004*

Policy objectives and the reasons for them

The objective of the amendments is to reduce the burden and cost of reporting by removing unnecessary reports, and reducing the frequency of providing reports or samples where possible.

Reporting requirements can be significant over the life cycle of a resource project. This is a burden for both the resources industry and government in terms of the time required to prepare, submit, receive, process and store the information.

While undertaking reporting reforms, the Department of Natural Resources and Mines will ensure that relevant data and information continues to be reported and made easily

available to support future exploration and attract investment by industry, and to ensure effective regulation by government, and an informed community.
A prioritised list of reporting reforms as identified by industry and government stakeholders is being worked through, and the amendments below are the first tranche of reforms to be progressed:

Final Reports

The objective of the amendment regulation is to clarify the information that must be included in a final report for an exploration permit or mineral development licence so that there is no duplication of information already provided.

Daily Drilling Reports

Currently petroleum tenure holders are required to lodge a daily drilling report with the chief executive of the Department of Natural Resources and Mines on a daily basis.

Daily drilling reports are important because they provide a history of drilling activities at a well. They can be of critical importance in the event of a safety incident and to check well integrity. However, in most instances daily drilling reports are not needed by the Department of Natural Resources and Mines on a daily basis, while the cost of providing (and the Department of Natural Resources and Mines analysing) this information on a daily basis can be burdensome, particularly with the number of wells required for large CSG-LNG projects in Queensland.

As such, the objective of the amendment regulation is to change the requirement for daily drilling reports to be lodged on a daily basis (requiring them only to be lodged once with the well completion report), while retaining the ability of the chief executive to request daily drilling reports earlier when required.

Well or Bore Abandonment Reports

The objective of the amendment regulation is to remove the requirement on a petroleum tenure holder to lodge a well or bore abandonment report with the well or bore completion report for a petroleum well or bore that is plugged and abandoned before the rig release day for the well or bore.

This is to remove the need to submit two reports that would duplicate information, and provides for the information to be submitted only once in the well or bore completion report.

Petroleum Transmission Reports

The objective of the amendment regulation is to remove the requirement on the holder of a pipeline licence for a transmission pipeline to lodge a six-monthly petroleum transmission report.

The information provided in these reports is not required by the Department of Natural Resources and Mines. Volume throughputs are not used or recorded for any purpose. Impurity information would only have value if it was submitted to the Department of

Natural Resources and Mines immediately. There are adequate quality requirements elsewhere in the legislation.

Cutting Samples

Currently petroleum tenure holders must keep the cutting samples for each petroleum well drilled. This requirement applies to coal seam gas wells, in addition to other petroleum wells.

Due to the increase in the number of coal seam gas wells now being drilled and the similarity in geology of some of these well locations, these samples are not required by the Department of Natural Resources and Mines in the majority of cases.

The objective of the amendment regulation is to remove the requirement on a petroleum tenure holder to automatically keep and lodge cutting samples from a coal seam gas well, and to provide the chief executive with the flexibility needed to procure cutting samples from coal seam gas wells when required e.g. from areas of geological interest.

Core Samples

Currently a petroleum tenure holder must keep each core recovered from a petroleum well under the petroleum tenure. This requirement can be costly for the petroleum sector, as any given project can produce an extensive amount of core, and each core sample needs to be specially stored (in sequence) and documented.

There is currently a significant volume of core being supplied to the Department of Natural Resources and Mines. Given this, and the limited core storage space available, the Department of Natural Resources and Mines is regularly refusing to accept core from well-developed fields in well-understood geological basins for which it already has adequate cores to represent the geology of those areas.

As such, the Department of Natural Resources and Mines considers that it is no longer necessary for it to retain every core sample from every coal seam gas well in order to have a representative sample of a particular rock type or formation.

The objective of the amendment regulation is to create a framework where core from coal seam gas wells does not have to be kept or lodged, except where the chief executive requires it.

Fluid Samples

Currently if the holder of a petroleum tenure recovers a fluid sample of liquid petroleum from a petroleum well, and the sample is more than 10 litres, the holder must keep and lodge the sample.

These samples are not particularly useful for the Department of Natural Resources and Mines. The Department of Natural Resources and Mines also considers that due to the safety issues with the storage of these samples (as they are flammable or combustible liquids) and also as the integrity of the sample can be compromised over time due to the volatile nature of the fluid, that it is no longer necessary for all fluid samples to be kept and lodged.

The objective of the amendment regulation is to enable the chief executive to obtain fluid samples where necessary, and in other cases, remove the requirement on a tenure holder to keep and lodge all fluid samples.

Achievement of policy objectives

Final Reports

The amendment regulation achieves the policy objective by clarifying that, for section 17(1) of the *Mineral Resources Regulation 2013*, the final report need only contain the information mentioned in section 16(1)(a) to (f) for any area of the tenure not previously relinquished or surrendered.

Daily Drilling Reports

The amendment regulation achieves the policy objective by changing the requirement to lodge a daily drilling report on a daily basis so that the reports are submitted altogether with, and at the same time as, the well completion report. The requirement on a petroleum tenure holder to prepare a daily drilling report on a daily basis is retained.

The amendment regulation also contains a power for the chief executive to request a copy of the daily drilling reports at any time, for any well, for any period, in any area, if required.

Well or Bore Abandonment Reports

The amendment regulation achieves the policy objective by removing the duplicate reporting requirement on a petroleum tenure holder in relation to the preparation of a well or bore abandonment report in circumstances where a well or bore is plugged and abandoned prior to the rig release day. This amendment provides for the information to be provided with the well or bore completion report as the abandonment has occurred immediately after the well or bore completion.

The requirement to lodge a well or bore abandonment report will now only apply if a well or bore is plugged and abandoned after the rig release day.

Petroleum Transmission Reports

The amendment regulation achieves the policy objective by removing the requirement for pipeline licence holders to lodge a petroleum transmission report.

Cutting Samples

The amendment regulation achieves the policy objective by removing the requirement on a petroleum tenure holder to keep (and therefore lodge) cutting samples from a well that has been made solely for coal seam gas exploration or production, which by definition includes testing and related activities. The existing requirement remains unchanged for other petroleum wells, including wells which target both coal seam gas and other petroleum sources.

Instead, a petroleum tenure holder will only be required to lodge a cutting sample from a well made solely for coal seam gas exploration or production when the chief executive gives the holder notice that the sample is required to be kept. This notice will be given by the chief executive before the petroleum tenure holder carries out the making of the well.

The manner in which a well is made has been redescribed to clarify that this provision applies regardless of the way the well is made (i.e. drilled, bored or made by other means).

If a petroleum tenure holder receives a notice from the chief executive to keep the sample, the petroleum tenure holder must then lodge the sample in accordance with the prescribed requirements, and in the required time.

Core Samples

The amendment regulation achieves the policy objective by providing an exception to the requirement on a petroleum tenure holder to keep all core samples from a petroleum well so that a petroleum tenure holder need not keep core from a well made solely for coal seam gas exploration or production provided certain requirements are met. The existing requirement to keep core samples for other petroleum wells (including wells which target both coal seam gas and other petroleum sources) remains unchanged.

For the exception to apply, a petroleum tenure holder must offer the chief executive a sample of the core from a well made solely for coal seam gas exploration or production, using the approved form, no later than 5 months after the day the core was recovered from the well.

If the petroleum tenure holder does not receive a notice from the chief executive within 20 business days after the chief executive received the notice that the holder must keep the sample, the holder no longer needs to keep (and therefore lodge) the sample (likely to be the majority of cases).

However, if the holder does receive a notice from the chief executive that the holder must keep the sample, the holder must then lodge the sample in accordance with the prescribed requirements, and in the required time.

If a petroleum tenure holder does not give the chief executive notice offering a sample of the core, the exception does not apply, and the holder must keep (and therefore lodge) the sample.

Fluid Samples

The amendment regulation achieves the policy objective by changing the circumstances in which the holder of a petroleum tenure is required to keep and lodge a fluid sample. A holder now need only keep and lodge a fluid sample of liquid petroleum, where a sample has been recovered and is more than 10 litres, if the chief executive gives the holder notice that the sample is required to be kept (and therefore lodged). This notice will be given to a holder no later than 5 months after the day the sample is recovered.

Consistency with policy objectives of authorising law

The amendment regulation is consistent with the main objects of the *Mineral Resources Act 1989*, the *Petroleum Act 1923* and the *Petroleum and Gas (Production and Safety) Act 2004*.

Inconsistency with policy objectives of other legislation

The amendment regulation is consistent with the policy objectives of other legislation.

Benefits and costs of implementation

The amendments will reduce reporting requirements for industry and therefore reduce costs for preparing and submitting reports and samples. Administrative costs for receiving, storing and processing the reports and samples by the Department of Natural Resources and Mines will also be reduced. Specifically the following benefits have been identified:

Final Reports

This amendment clarifies an existing reporting requirement to ensure that information that was contained in a partial relinquishment report or partial surrender report is not provided again in the final report for the tenure. It will ensure that the intent of this section is met and data is not resubmitted to department when it has already been provided. While there will be no change to the existing requirement, practically there may be a reduction in report preparation for companies who may have misinterpreted the requirement. On average approximately 316 final reports are received each year.

Daily Drilling Reports

The existing requirement to lodge daily drilling reports on a daily basis is considered intensive for both the Department of Natural Resources and Mines and the resources sector. For the resources sector, the requirement is burdensome and unnecessary particularly in circumstances where some resource companies can be drilling up to 50-60 wells per month. Resource companies will benefit, saving them time and resources from not having to lodge the reports to the Department of Natural Resources and Mines daily.

This amendment will enable the Department of Natural Resources and Mines to undertake the appropriate ‘checks’ or review on an ‘as needs’ basis by cross-referencing the information supplied as part of the well completion report with the drilling contractor’s daily reports.

Well or Bore Abandonment Reports

The amendment removes a duplicative reporting requirement on resource companies, reducing the regulatory burden and associated costs (i.e. time and resources) for both resource companies and the Department of Natural Resources and Mines in relation to

reporting. Repetition of data in abandonment reports is unnecessary. Approximately 70-100 wells are plugged and abandoned each year.

Petroleum Transmission Reports

The amendment will reduce regulatory burden and associated costs for the petroleum sector and the Department of Natural Resources and Mines in relation to reporting by removing the requirement to submit a transmission report which contains information that is not needed nor used. There are approximately 158 pipeline licences in use in Queensland. With the proposed change, more than 300 reports will no longer need to be submitted by licence holders each year.

The Department of Natural Resources and Mines still maintains the necessary standards of regulatory control over the transmission of substances in pipelines, as pipeline licence holders are already required to meet specification standards for petroleum in pipelines, and there are existing offence provisions in regard to the supply of liquids or toxics in fuel gas pipelines.

Cutting Samples

This amendment will reduce the regulatory burden for both the resources sector and the Department of Natural Resources and Mines by removing the requirement for all cutting samples from coal seam gas wells to be kept and lodged.

It will save the resources sector time and resources, particularly labour, data entry, storage and transport costs. Similarly, it will save the Department of Natural Resources and Mines time and resources (e.g. processing and storage costs) by only having to assess and store samples from coal seam gas wells that have been requested, as opposed to all samples from all wells. There are between 1000 and 2000 wells drilled each year for which cuttings or core samples would have to be provided.

Core Samples

As tenures are developed, some core becomes of relatively minor value but must be kept simply to maintain legislative compliance. For coal seam gas which has more intensive drilling than a conventional petroleum field, the intrinsic value of a particular core from a well decreases, because other wells in the field are essentially duplicates of the initial drilling. It is not necessary therefore to retain every core from every well.

This amendment will reduce costs for resource companies (e.g. storage costs), allowing them to dispose of unwanted core earlier, in circumstances where the chief executive does not respond to the offer of a sample of core from a coal seam gas well. In the same circumstances, companies will also save costs from not having to lodge the sample (e.g. transport costs).

The costs to a resource company having to make an offer are minor and will be offset by the savings in transport and storage costs where the offer of the core sample is not accepted by the chief executive, which will be the majority of cases.

The amendment will also be of benefit to the Department of Natural Resources and Mines, having more storage space available for samples of intrinsic value, and also the savings in storage costs.

Fluid Samples

This amendment will reduce costs for resource companies (e.g. storage costs), allowing them to dispose of unwanted fluid samples earlier, in circumstances where the chief executive does not give the holder notice that the sample is required to be kept. In the same circumstances, companies will also save costs from not having to lodge the sample (e.g. transport costs). It is anticipated that the mechanism for the chief executive to give the holder notice that the sample is required to be kept will only be used in rare cases, for instance where a new field/horizon is being explored.

The Department of Natural Resources and Mines will also benefit from the amendment by not having the issues of ensuring safe storage of the samples.

Consistency with fundamental legislative principles

Amendments are consistent with fundamental legislative principles as existing reporting requirements are being removed or reduced.

Consultation

Consultation was undertaken with the Office of Best Practice Regulation within the Queensland Competition Authority in determining that the amendments were excluded from the requirement to undertake a Regulatory Impact Statement.

This first tranche of reporting reforms was identified in 2014 after consultation was undertaken with the petroleum industry peak body the Australian Petroleum Production and Exploration Association and it members. These amendments were identified by the Australian Petroleum Production and Exploration Association as being able to deliver tangible benefits quickly i.e. reduced reporting burden and costs.

Subsequent consultation was undertaken with the Queensland Resources Council from January 2015, where more coal and mineral focussed feedback was provided. The need to clarify the reporting requirement for final reports was identified in these meetings.

In May 2015, the Australian Petroleum Production and Exploration Association and the Queensland Resources Council were also provided with a consultation draft of the amendments for comment, and were supportive of the amendments.