

Operational policy

Relevant Arrangements

MIN/2019/5125

03 March 2021

Version 1.02

1. Purpose

The purpose of this policy is to inform industry of the requirements for a relevant arrangement for the grant of a petroleum lease under section 121 of the *Petroleum and Gas (Production and Safety) Act 2004* (P&G Act).

The department has developed this policy to ensure consistent and transparent decision-making and taking into account that it must administer the P&G Act for the benefit of all Queenslanders and in a manner that is consistent with the main purposes of the Act, as outlined in section 3, including to:

- manage the State's petroleum resources to encourage and maintain an appropriate level of competition in the carrying out of petroleum activities; and
- optimise coal seam gas production.

The information contained in this policy does not override legislative requirements and reflects current operational practices within the department. These practices may change from time to time, with changes to be published through a revised version of this policy.

2. Background

A petroleum lease is a production lease, and is granted for the purposes of petroleum production. In considering whether to grant a petroleum lease, the Minister must consider all of the mandatory requirements for grant in section 121 of the P&G Act.

Under section 121 of the P&G Act, a petroleum lease can only be granted if, amongst other things, the Minister is satisfied that petroleum is likely to be produced within two years. It is the policy of the department that the applicant should be able to demonstrate likely production within two years or, if this cannot be demonstrated, then instead, the applicant has entered into a gas sales agreement or coordination arrangement which can be relied upon, as a relevant arrangement, to justify delayed production.

Alternatively, the commencement of petroleum production may be otherwise stated if:

- an applicant has entered into a coordination arrangement or other arrangement (such as a gas sales agreement) to supply petroleum produced from the area of the lease; and

- has lodged a written declaration that the petroleum produced from the area of the lease will meet all or some of the petroleum required to be supplied under the agreement.

It is the policy of the department that production should commence within two years, unless there is a relevant arrangement that justifies the proposed delay in production. A petroleum lease holder must start petroleum production under the lease on or before the later of either at the end of two years after the lease takes effect or any production commencement day for the lease.

The Minister's consideration of whether the proposed relevant arrangement is sufficient to justify a delayed production commencement date occurs when the Minister is considering whether to grant the proposed petroleum lease. It is the policy of the department that this is a one off consideration made for the grant of a petroleum lease and cannot be amended after grant.

A relevant arrangement is merely a term for a type of arrangement (typically a gas sales agreement (GSA) or supply contract) which supports delayed production; recognising that production from all petroleum leases within a project may commence at different times over a number of years.

The veracity of the relevant arrangement is attested to in the written declaration by the applicant that the petroleum produced from the area of the lease will meet all or some of the petroleum required to be supplied under the relevant arrangement.¹

This policy provides more detail as to what form the declaration should take and the documentation it should be accompanied by. To enable the Minister to properly consider whether the relevant arrangement is sufficient to justify a delayed production date, a gas supply or sales contract must detail for each year of the proposed term of the petroleum lease how petroleum is to be produced and delivered to market as specified in the relevant arrangement. The Minister may refuse an application for a petroleum lease if the Minister reasonably believes that the relevant arrangement is not an arms-length commercial transaction or supply under the arrangement is unlikely to be carried out.²

The department will rigorously enforce the P&G Act to ensure that all holders comply with the legislative framework. Whilst the department understands that actual production may vary from forecast production it is incumbent on all holders to ensure that the department is promptly notified if they become aware of changes and to ensure that development plans are amended to reflect actual activity including production volumes and timing, pursuant to section 143 of the P&G Act.

Alternatively, if a relevant arrangement was in place for the grant of the petroleum lease, the holder of that lease may apply to amend the production commencement date under section 175AA of the P&G Act. The holder will need to apply for the change at least three months before production is supposed to commence as per the grant and provide evidence of the relevant supply arrangements and particulars of the reserve.

¹ *Petroleum and Gas (Production and Safety) Act 2004*, s 121 (2)(b)(ii).

² *Ibid*, s122(b).

3. Policy determination

The written declaration required under the P&G Act should be provided in the form of:

1. a statutory declaration;
2. an accompanying summary; and
3. a full copy of the GSA executed by all parties.

The documents held by the department are subject to the *Right to Information Act 2009* and the *Information Privacy Act 2009*, which provide for protection of confidential and commercially sensitive information. Further details of what should be included for each of these items is described below.

3.1 Requirements for a statutory declaration

The statutory declaration should attest to the information contained in the accompanying summary is true and correct. In addition it should confirm that the relevant arrangement is genuine and commercial in nature. The statutory declaration must be given by a representative of a joint venture or director of the company who has:

- actual knowledge of the company or joint ventures' dealings; and
- is authorised to affirm or swear that the information is true and correct.

A template for a statutory declaration can be found [here](#).

3.2 Requirements for the accompanying summary document

The information provided in this document, must be appropriate, reliable, and sufficient for the department to understand the overall production for each year of the life of the relevant arrangement as well as the production for each year of the life of individual petroleum leases in the project. The department will use the information to form an overall view of how all petroleum leases and petroleum lease applications proposed to be granted subject to the relevant arrangement contribute to the proposed production. The information should, at a minimum include the following:

- A summary of the relevant arrangement, including:
 - details of the entities that have entered into the contract or arrangements which constitute the relevant arrangement. The applicant should be party to at least one of the contracts that make up the arrangement. The other parties must be identified and any relationship between the parties also identified;
 - a statement that the applicant does not control the entities with which it has a relevant arrangement and that entities are independent and severally responsible, and if not, details of any relationship or control exercisable between the applicant and the contractor must be provided; and
 - that the contract(s) require(s) supply of petroleum from the petroleum lease area, and identification of the particular contracts that require supply;
- detail the petroleum supply that will be required under the contract (annual and total under the arrangement);
- detail any supply dates or timeframes the applicant must meet under the contract to supply petroleum (this will assist in deciding the grant of the petroleum lease on the basis of the relevant arrangement and will ensure the petroleum resources is used in a timely manner);

- if the parties to the relevant arrangement are not independent, a submission as to why the Minister should not exercise the discretion to refuse to grant the petroleum lease under section 122;
- detailed technical information to demonstrate that the petroleum leases subject to the relevant arrangement contain the necessary resources and will be developed in a way to satisfy the requirements of the relevant arrangement and the supporting GSA;
- a stack diagram for annual and total production from tenures covered by the relevant arrangement; and
- a table showing tenures covered by the relevant arrangement, planned production commencement date, and estimated annual volume of gas to be produced per petroleum lease per year over the life of the relevant arrangement.

3.3 Gas sales agreement(s)

A complete and full copy of the duly executed GSA(s) (by all parties) must be provided with the statutory declaration and the executive document.

3.4 Consistency with development plan

A development plan for a petroleum lease must be consistent with the production commitments in a proposed relevant arrangement. If the development plan for any of the petroleum leases subject to the relevant arrangement do not align with the production commitments in the relevant arrangement, the department will require the submission of an updated development plan for each petroleum lease that reflects the planned field development activities.

The updated development plans will need to be submitted to the department before a decision can be made on the relevant arrangement. Please refer to the [Initial and later development plan guideline for petroleum leases](#) when preparing a development plan.

3.5 Pre-lodgement meetings

If clarification is required about the information to be provided in the written declaration, it is recommended that a pre-lodgement meeting be held with the department. This will ensure that the information provided to the department will likely satisfy the Minister for approval of a relevant arrangement.

Document information

Availability: External

Location: Business Industry Portal

Owner and approver: Deputy Director-General, Georesources Division

Future Review date: March 2022

Related documents: This policy should be read in conjunction with the Initial and later development plan guideline for petroleum leases.

Contacts: For help and information about this policy, please contact the Petroleum Assessment Hub on (07) 3199 8118 or email PetroleumHub@resources.qld.gov.au.

Disclaimer

The purpose of this policy is to provide a framework for consistent application and interpretation of the legislation administered by the department. Policies may be applied flexibly where individual circumstances require an alternative application of policy. Where this policy, or part of this policy, is inconsistent with relevant legislation, the legislation will prevail to the extent of the inconsistency. While this document has been prepared with care it contains general information and does not profess to offer legal, professional or commercial advice. The Queensland Government accepts no liability for any external decisions or actions taken on the basis of this document. Persons external to the Queensland Government should satisfy themselves independently and by consulting their own professional advisors before embarking on any proposed course of action.

Keywords

MIN/2019/5125; Resources; petroleum leases; GSA; production; P&G Act