

EXPLANATORY MEMORANDUM

PETROLEUM TITLES (BROWSE BASIN) BILL 2014

1. Purpose

On 22 May 2014, Geoscience Australia wrote to the Department of Mines and Petroleum advising of changes to the maritime boundaries around South Scott and North Scott (collectively known as 'Scott Reef') and Seringapatam Reefs. These boundary changes came into effect on 20 May 2014.

South Scott, North Scott (Scott Reef) and Seringapatam Reefs lie approximately 450 km north of Broome in an area of the Indian Ocean known as the Browse Basin. Located off the north-west coast of Western Australia, the highly prospective Browse Basin is home to a large number of gas and condensate discoveries, a number of which are being developed as Liquid Natural Gas projects.

As a result of legislative arrangements dating back to 1967 and the commencement of the initial Commonwealth and State offshore petroleum legislation, there are both Commonwealth and State titles in the Scott Reef area.

In the Scott Reef area these titles consist of one Commonwealth retention lease and two State retention leases. Retention leases are titles that are awarded for non-commercial petroleum discoveries not currently viable, but are likely to become commercial within 15 years. In the Seringapatam Reef area there are currently two Commonwealth exploration permits.

The current terms of the three Scott Reef retention leases end on 23 December 2014. The terms of the Seringapatam exploration permits end in August 2015 and October 2016 respectively.

Without the provisions in the Bill, due to the boundary change, some areas currently under a Commonwealth lease or permit would become vacant upon renewal.

The purpose of this Bill is to provide security of tenure by overcoming the risk of creating any vacant areas and thus uncertainty in the Scott Reef or Seringapatam Reef areas. The Bill also provides for the creation of like-for-like titles where required.

2. Overview

Part 1

Part 1 of the Bill deals with the Short Title and the commencement provisions and the terms used for the Bill.

Part 2

Part 2 of the Bill deals with the petroleum titles in the South Scott and North Scott Reef areas.

Part 3

Part 3 of the Bill deals with the petroleum titles in the Seringapatam Reef area where as a result of the boundary change, two new State titles will be granted upon renewal of the Commonwealth exploration permits in 2015 and 2016.

Part 4

Part 4 of the Bill deals with the transitional provisions required for the Bill.

CLAUSE NOTES

Part 1 – Preliminary

Clause 1 Short Title

The Bill makes provisions about certain petroleum titles in the Browse Basin as a consequence of changes to maritime boundaries. It is a stand-alone Bill due to the unique circumstances of the State petroleum titles in the South Scott, North Scott and Seringapatam Reef areas.

Clause 2 Commencement

The Bill will commence on the date on which it receives the Royal Assent.

Clause 3 Terms Used

Clause 3 explains the terms used in the Bill. While some terms draw on provisions in the existing State and Commonwealth legislation, others are unique to the clauses in this Bill and are self-explanatory.

Part 2 – Petroleum Titles in Scott Reef area

Part 2 of the Bill covers the two existing State titles in the South Scott Reef area, retention leases R2 and TR/5, and the new exploration permit in the north of the North Scott Reef area.

Clause 4 Expansion of lease R2

This clause provides that on the WA-30-R renewal day, each WA-30-R inshore block, as defined in clause 3, becomes the subject of retention lease R2 and part of its lease area.

In addition, as a result of the changes to the maritime boundaries in May 2014, which resulted in changes to the boundaries of the adjacent area, some parts of retention lease TR/5 now instead become the subject of retention lease R2.

The outcome of these changes is that retention lease R2 will cover several discrete and distinct areas.

Clause 5 Expansion of lease TR/5

This clause provides for the expansion of retention lease TR/5 on the renewal of WA-30-R into the adjacent areas that arise from the maritime boundary change. This expansion ensures that there are no gaps between State lease TR/5 and the renewed Commonwealth lease WA-30-R.

Clause 6 New exploration permit under *Petroleum (Submerged Lands) Act 1982*

In the extreme northern part of the North Scott Reef area, the change in the adjacent area requires the grant of a new small exploration permit under the *Petroleum (Submerged Lands) Act 1982*. This will occur on the renewal day of the Commonwealth exploration permit WA-315-P.

Part 3 – Petroleum titles in Seringapatam Reef area

Part 3 of the Bill covers the two existing Commonwealth exploration permits WA-315-P and WA-398-P in the Seringapatam Reef area.

Clause 7 New exploration permit under *Petroleum and Geothermal Energy Resources Act 1967*

This clause provides for the grant of a *Petroleum and Geothermal Energy Resources Act 1967* exploration permit over the blocks within the baseline for the waters within the Seringapatam Reef lagoon.

Clause 8 New exploration permit under *Petroleum (Submerged Lands) Act 1982* and subsequent expansion

This clause provides for the grant of a *Petroleum (Submerged Lands) Act 1982* exploration permit over the adjacent area which surrounds the Seringapatam Reef area at the time of the renewal of Commonwealth exploration permit WA-315-P.

This new *Petroleum (Submerged Lands) Act 1982* exploration permit will be expanded at the time of the renewal of the Commonwealth exploration permit WA-398-P to provide a single *Petroleum (Submerged Lands) Act 1982* exploration permit rather than two separate small ones.

Part 4 – Transitional matters

Clause 9 Locations

This clause of the Bill provides deeming provisions for locations. Locations are a mechanism for transition from an exploration permit to a retention lease or production licence following the discovery of petroleum. A location is not a title in itself, rather it is a means of setting aside and identifying the block or blocks necessary to cover the discovery from within which the permittee may select the blocks to form a lease or licence area.

Clause 9(1) provides that inshore blocks in which a location was previously declared under the Commonwealth legislation or the *Petroleum*

(Submerged Lands) Act 1982, are deemed to be a location under the *Petroleum and Geothermal Energy Resources Act 1967*.

Clause 9(2) provides that adjacent area blocks in which a location was previously declared under the Commonwealth legislation, are deemed to be a location under the *Petroleum (Submerged Lands) Act 1982*.

Clause 10 Registers

Clause 10(1) allows the *Petroleum and Geothermal Energy Resources Act 1967* Minister to make any entries or endorsements in the PGERA register considered necessary as a result of the provisions in this Bill. This clause also provides for the recording of any information in relation to an inshore block previously the subject of a Commonwealth title recorded in a Commonwealth register, or an adjacent area block recorded in the *Petroleum (Submerged Lands) Act 1982* register. This latter clause allows for the recording of location information in the *Petroleum and Geothermal Energy Resources Act 1967* register.

Clause 10(2) allows the *Petroleum (Submerged Lands) Act 1982* Minister to make any entries or endorsements in the PSLA register considered necessary as a result of the provisions in this Bill. This clause also provides for the recording of any information in relation to an adjacent area block previously the subject of a Commonwealth title recorded in a Commonwealth register. This latter clause allows for the recording of location information in the *Petroleum (Submerged Lands) Act 1982* register.