

# Guideline for Applying for or Renewing a Retention Licence

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<b>Contact details</b>	Petroleum Operations (08) 8999 5388 Energy Titles (08) 8999 7112
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Acronyms	
The following acronyms are used in this document	
Department	Department of Primary Industry and Resources
NPV	Net Present Value
IRR	Internal rate of return
VIR	Value Investment Ratio
NTG	Northern Territory Government

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## Purpose

This guideline aims to ensure that the Northern Territory Government (NTG) continues to assist oil and gas explorers to carry out effective exploration and to ultimately develop petroleum resources for the benefit of the Territory economy, while still meeting legislative requirements and providing transparency and accountability.

The guideline applies to all exploration permit or retention licence holders or their representatives who wish to apply for or renew a retention licence.

By following the requirements in this guideline you will ensure that your application is processed in a timely way with minimal disruption to you.

## Applying for a Retention Licence

You can apply for the grant of a retention licence over a petroleum discovery that is not currently commercially viable, but is likely to be within 15 years.

You must have already reported the discovery to the department and established that it is potentially of a commercial quality and quantity.

A retention licence remains in force for five years and can be renewed for further periods of five years, if the resource still meets the non-commercial criteria.

You can apply for more than one retention licence over your exploration permit, however each licence area can only be a maximum of 12 blocks.

Your application should include the following information:

- name and address
- the number of blocks
- a map clearly showing the application area and the boundary of the existing exploration permit
- evidence that you are the permittee of the application area, that you have previously notified the department of the discovery, and that production is not currently commercially viable
- an analysis of the commercial viability of the prospective development including your assumptions, methodology and conclusions reached. The analysis should demonstrate that your assumptions and methodology are realistic and will lead to an outcome or a range of outcomes. Reasonable alternative assumptions should also be identified and assessed, and the department will determine whether there is reasonable grounds for adopting them.
- a technical work program for the exploration, appraisal and development of petroleum in the application area, including an economic appraisal of the resource for the period of the licence
- evidence of your technical and financial capacity to carry out the technical work program and to comply with the legislation
- the proposed sharing arrangements where the application is made by two or more parties

- a statement detailing the reasons why you believe that an appraisal of the application area cannot be carried out during the remaining term of your exploration permit and why you have not applied for a production licence
- any other information you think will support your application.

Your application should also identify the circumstances in which the resource would become commercially viable and the likelihood that they will occur within the next 15 years. Evidence should be provided to substantiate that the change in circumstances will make the project viable. Include all relevant information including research and the development of technology.

## Commercial Viability

A petroleum discovery that is potentially of a commercial quality and quantity means that the petroleum could be developed:

- given the existing knowledge of the field
- having regard to the prevailing market conditions
- using proven technology that is readily available

such that the economic parameters, such as net present value (NPV), internal rate of return (IRR) or value investment ratio (VIR), meet or exceed the minimum return for this type of project, as considered acceptable by a reasonable petroleum developer and investors or lenders to the industry (i.e. an acceptable net present value or rate of return or value investment ratio).

Existing knowledge of the field includes mapping and resource estimates at proved, probable and possible probability levels.

Your inability or unwillingness to acquire or apply readily available proven technology is not considered an adequate reason for claiming a discovery is not commercially viable.

Where commercial viability is dependent on a joint venture arrangement to develop the resource or an agreement to access facilities or technology, an inability to finalise the agreement may be considered a valid reason to claim lack of viability, where these factors are shown to impact the acceptable economic parameter.

Market factors, including market access, price and timing, may similarly impact the commercial viability of a discovery. The market for natural gas is often characterised by large, long term contracts, specifying particular rates, periods of supply and quality. A project may be considered unviable due to an inability to obtain a contract, in the prevailing market conditions, which adequately supports development. Also, the amount of the resource, even if substantial, may be insufficient to take advantage of any currently available market opportunities.

Favourable consideration will be given to your application if you can demonstrate that you have attempted in good faith to obtain gas supply contracts, for an otherwise commercially viable resource, but have been unsuccessful. You should provide evidence of your efforts to obtain a market for your gas and that the project is viable in the current market conditions in your application. Prior to doing this you should assess whether further defining the resource to demonstrate supply capability to potential buyers, would improve marketability.

# Economic Assessment of Commercial Viability

An economic assessment of the commercial viability of your resource should include:

- estimated recoverable and in-situ resources (especially the 50% and 90% probability levels or other appropriate information) with more detail if these are critical to determining whether the criteria for viability are met
- estimated annual capital costs (including appraisal and production drilling, facilities costs etc.) if the project were to proceed
- estimated annual operating costs if the project were to proceed
- estimated annual production volumes, product prices and estimated annual revenues from sales of product if the project were to proceed
- estimated annual resource taxation payable (royalty etc.)
- inflation rates, exchange rates, depreciation and company tax provisions used in the financial analyses
- all numbers should be clearly identified as either in nominal or real dollars
- estimated pre- and post-company tax net present value (NPV) and internal rate of return (IRR) for the project and justification of the minimum (or hurdle) rates of return or other criteria used to assess commerciality, including whether they reflect the level of risk for such a project and the degree of confidence ('optimism' or 'pessimism') associated with the other assumptions
- where that the economic parameter is sufficient for the project to proceed under prevailing market conditions, evidence that there are other factors preventing commercial development of the discovery (e.g. market issues)
- identification of all relevant environmental and other factors that may impact on commerciality
- the treatment of secondary taxes (royalty and income tax) in the economic assessment
- any other matter that you consider is relevant to the current commercial viability of the development of the discovery.

You should ensure that the basis of any model and assumptions used to assess the commercial viability can be justified and, where relevant, ensure the impacts of reasonable alternative assumptions and methodologies on the conclusions are assessed.

## Technical Work Program

As you are expected to actively pursue the commercial viability of a field, you need to include in your application details of your work program detailing your plans to do so, including the factors that are currently inhibiting the commercial development of the resource.

Your work plan may include:

- project feasibility reports
- reports of reviews of exploration data

- proposals to undertake seismic surveys, drill wells and flow testing.

You should provide estimates of expenditure in nominal dollars.

It is not necessary to include the years the work program activities will be conducted, however the program must be completed and results analysed prior to lodging an application for renewal.

You can apply to vary, suspend or waive your technical work program commitment however, unlike an exploration permit, you cannot apply for an extension.

The time required to assess your application will depend on the complexity of the variation, suspension or waiver proposed and whether all necessary information has been provided.

## Renewal of a Retention Licence

You can apply to renew a retention licence before it expires.

You must apply between three and six months before the expiry date, although applications up to but no later than the expiry date may be accepted in some circumstances.

The licence will lapse if you don't submit a renewal application before the end of its term.

Once you have applied to renew a licence, the existing licence will remain valid until the department makes a decision about the renewal.

Your renewal application should include:

- An analysis of the work undertaken and expenditure incurred during the licence term and details of the results
- A statement of reasons stating why you have not applied for a production licence over the licence area, including an economic assessment demonstrating that the discovery is not commercially viable
- A technical work program for the renewal period
- Any other information you think will support the assessment of your application.

You may be asked to provide additional information to support your application.

Your compliance with the conditions of your previous retention licence, the legislation and any directions issued to you will be taken into account when considering whether to grant a renewal or not.

## Related legislation

- [Petroleum Act](#)
- [Petroleum Regulations](#)

## Further information

Email [petroleum.operations@nt.gov.au](mailto:petroleum.operations@nt.gov.au)