

# Recovery of petroleum on an appraisal basis

Application guideline

|                            |   |
|----------------------------|---|
| <b>Document title</b>      | Recovery of petroleum on an appraisal basis                   |
| <b>Contact details</b>     | Energy Development, Department of Industry, Tourism and Trade |
| <b>Approved by</b>         | Minister for Mining and Industry                              |
| <b>Date approved</b>       | 30 August 2023  |
| <b>Date to be reviewed</b> | 30 August 2025  |

| <b>Acronyms</b>                  | <b>Full form</b>  |
|----------------------------------|---|
| Act                              | <i>Petroleum Act 1984</i>   |
| As low as reasonably practicable | Means that all reasonably practicable measures are in place to control an impact or risk considering the level of consequence and cost, time and resources involved to mitigate it. Reducing impacts and risks to 'as low as reasonably practicable' centres on the construct of reasonable practicability; the weighing up of the magnitude of the impact or risk against the cost of reduction. A risk reduction measure can be considered as being reasonably practicable if the costs to implement it are not grossly disproportionate to the reduction in risk achieved. |
| Approved access agreement        | See definition at regulation 3 of the PR 2020   |
| CEO                              | See definition at section 5 of the Act  |
| Code                             | <i>Code of Practice: Onshore Petroleum Activities in the Northern Territory</i> (located <a href="#">here</a> )   |
| DEPWS                            | Department of Environment, Parks and Water Security   |
| DITT                             | Department of Industry, Tourism and Trade   |
| EMP                              | Environment Management Plan, see definition at regulation 3 of the PER 2016   |
| Environment Minister             | Minister for Environment, responsible for the administration of the EP Act 2019 and the PER 2016  |
| EP Act 2019                      | <i>Environment Protection Act 2019</i>  |
| Exploration permit               | Also known as an EP, see definition at section 5 of the Act   |
| Flaring                          | See definition of that term in the Code   |
| Interest holder                  | See definition at section 5 of the Act  |
| Land Rights Act                  | <i>Aboriginal Land Rights (Northern Territory) Act 1976 (Cth)</i>   |
| Minister                         | Minister for Mining and Industry  |
| Native Title Act                 | <i>Native Title Act 1993 (Cth)</i>  |
| PER 2016                         | <i>Petroleum (Environment) Regulations 2016</i>   |
| Petroleum interest               | See definition at section 5 of the Act  |
| PR 2020                          | <i>Petroleum Regulations 2020</i>   |
| Regulated operations             | See definition at regulation 3 of the PR 2020   |
| Retention licence                | Also known as an RL; see definition at section 5 of the Act   |
| Revenue unit                     | See the <i>Revenue Units Act 2009</i>   |

Recovery of petroleum on an appraisal basis

|          |   |
|----------|---|
| Security | Means the petroleum infrastructure decommissioning security relating to the appraisal production infrastructure proposed to be used in connection with the recovery of petroleum on an appraisal basis. |
| Venting  | See definition of that term in the Code   |
| WOMP     | Well Operations Management Plan, see definition at section 5 of the Act   |

# Contents

|   |           |
|---|-----------|
| <b>1. Introduction</b> .....  | <b>5</b>  |
| 1.1. Purpose of the guideline.....  | 5         |
| 1.2. Application of the guideline.....  | 5         |
| 1.3. Authorisation and publication.....   | 5         |
| <b>2. Recovery of appraisal petroleum: background</b> .....   | <b>5</b>  |
| <b>3. Seeking approval</b> .....  | <b>7</b>  |
| 3.1. Application.....   | 7         |
| 3.2. Required information for consideration.....  | 7         |
| 3.3. True and correct information.....  | 11        |
| <b>4. Appraisal production infrastructure: decommissioning and the decommissioning security</b> ..... | <b>12</b> |
| 4.1. Decommissioning.....   | 12        |
| 4.2. Requirement for security.....  | 12        |
| 4.3. Calculation of security.....   | 13        |
| 4.3.1. Formula.....   | 13        |
| 4.3.2. Estimated decommissioning cost.....  | 13        |
| 4.4. Payment of security.....   | 14        |
| 4.5. Release of security.....   | 14        |
| <b>5. Assessment of the application</b> .....   | <b>15</b> |
| 5.1. Matters for consideration.....   | 15        |
| 5.2. Potential conditions.....  | 15        |
| 5.3. Decision-making.....   | 16        |
| 5.4. Non-compliance with conditions of approval.....  | 16        |
| <b>6. Other approvals and obligations under the Act</b> .....   | <b>16</b> |
| 6.1. Interaction with other approvals under the <i>Petroleum Act 1984</i> .....                       | 16        |
| 6.2. Approval of a measuring device.....  | 17        |
| 6.3. Additional obligations under the <i>Petroleum Act 1984</i> .....                                 | 17        |
| <b>7. Interactions with other Territory or Commonwealth legislation</b> .....                         | <b>18</b> |

# 1. Introduction

## 1.1. Purpose of the guideline

This guideline provides advice on what is required to be included in an application to recover petroleum on an appraisal basis under section 57AAA of the Act. It details the minimum pre-requisites that an interest holder will need to include in an application for consideration by the Minister, and subject to the Minister's discretion, Ministerial approval.

This guideline also outlines the process of assessment for the application and how the approval to recover petroleum on an appraisal basis operates within the regulatory framework under which onshore petroleum activities are conducted in the Northern Territory.

## 1.2. Application of the guideline

This guideline applies to an application made by an interest holder under section 57AAA of the Act. Section 57AAA of the Act allows the holder of an exploration permit or retention licence to make an application to recover petroleum on an appraisal basis. The Minister must consider the application and can only approve the application if satisfied of certain matters specified in the Act.

The objective of the Act is to provide a legal framework that, amongst other things:

- (a) encourages the effective exploration for petroleum and to develop petroleum production so that the optimal value of the resource is returned to the Territory; and
- (b) provides protection to the environment; and
- (c) promotes the principles of ecologically sustainable development.<sup>1</sup>

The ability to recover petroleum on an appraisal basis is consistent with the Act's objective – in that it is part of undertaking exploration in a manner which seeks to avoid venting and flaring of a non-renewable resource.

This guideline should be read in conjunction with the Act, the PER 2016, the PR 2020 and the Code.

## 1.3. Authorisation and publication

In accordance with section 117C(1) of the Act the Minister has issued this guideline for the purpose of section 57AAA(3)(e) of the Act. This guideline is published on DITT's website at: <https://nt.gov.au/industry/energy/petroleum-operations/recover-petroleum-for-appraisal-purposes>.

# 2. Recovery of appraisal petroleum: background

In order to progress from exploration to production (including seeking the grant of a production licence) an interest holder needs to provide evidence to the Minister that there is a commercially exploitable accumulation of petroleum within the boundaries of the exploration permit or retention licence. The objective of the Act is to encourage exploration and to develop petroleum production; consistent with that objective an interest holder is required to explore for petroleum and, in the event of a discovery, seek to

---

<sup>1</sup> See section 3 of the Act.

determine the extent of any petroleum discovered within the boundary of the petroleum interest and whether production is commercially viable.

In order to obtain information regarding the extent and nature (including quality and quantity) of the accumulation of petroleum, an interest holder will need to undertake extended well testing. Well testing is also known as 'flow testing' or 'production testing' and is when an interest holder undertakes operations to recover petroleum from the underground petroleum pool to the surface for the purpose of testing. In general, well testing is conducted to confirm or validate the production rates from any particular well. Extended well testing, in particular, is used to obtain reliable data to determine reservoir rock and fluid properties, estimate volume of the petroleum pool, confirm reserves for field development and confirm long-term field deliverability. Extended well testing is an essential activity for proving the viability of the resource.

The duration of any extended well testing is dependent on a range of factors which are specific to individual sites and individual wells. The duration of any extended well testing is primarily based on the interest holder's technical objectives in relation to obtaining information about the resource and, for most tests, will be small in comparison to the ultimate field life and recovery from that field.

Currently, petroleum which is recovered in the Northern Territory through extended well testing is vented or flared, although there are requirements in the Code to eliminate or minimise venting and flaring where possible. Prior to the introduction of section 57AAA in the Act,<sup>2</sup> there was no alternative available to interest holders to avoid the scope 1 greenhouse gas emissions generated through venting and flaring.<sup>3</sup>

Section 57AAA was introduced into the Act so that interest holders could, subject to Ministerial approval, seek an alternative and productive use to the petroleum recovered during extended well testing. Section 57AAA of the Act allows an interest holder, subject to Ministerial approval, to reduce the unnecessary waste of a natural resource (and avoidable scope 1 greenhouse gas emissions) and to use the petroleum during their own operations or to sell or gift the petroleum to third parties. This could include a range of scenarios including using the petroleum for purposes in connection with an interest holder's operation (such as electricity generation onsite) or providing the petroleum to nearby landholders or communities for electricity generation. The recovery of petroleum on an appraisal basis is also permissible in both New South Wales and Queensland on exploration titles.<sup>4</sup>

The recovery of petroleum on an appraisal basis, and the amendments to allow the same in the Act are consistent with the Government's commitment to minimise greenhouse gas emissions during onshore petroleum operations, in responding to the impacts of climate change and to achieve net zero emissions by 2050.

---

<sup>2</sup> Section 57AAA was inserted into the Act by the *Petroleum Legislation Amendment Act 2022*.

<sup>3</sup> The beneficial use of petroleum on an appraisal basis, such as for electricity generation, will still create greenhouse gas emissions but importantly the emissions will be associated with the productive use of petroleum (as opposed to venting and flaring).

<sup>4</sup> See section 28B of the *Petroleum (Onshore) Act 1991 (NSW)* and section 72 of the *Petroleum and Gas (Production and Safety) Act 2004*.

## 3. Seeking approval

### 3.1. Application

An application must be in approved form which is published on DITT's website at: <https://nt.gov.au/industry/energy/petroleum-operations/recover-petroleum-for-appraisal-purposes>. Only the holder of an exploration permit or retention licence is entitled to make an application.<sup>5</sup>

The application fee is 18, 158 revenue units (equivalent to \$24,513.00 as at 1 July 2023). The application fee must be received by DITT before assessment of the application will commence.

The application must address and provide evidence on all matters specified in the approved form - which addresses the matters outlined in section 57AAA(5) of the Act as well as other relevant matters outlined in this guideline.

Fundamentally, the application must outline the interest holder's objective in undertaking the extended well testing including key elements, proposed milestones, proposed duration and associated surface infrastructure.

For example the application must include:

- (a) The name and contact details of the person in charge of the activity (who may be a contractor carrying out the activity on the behalf of the interest holder).
- (b) An assessment of the current well barrier integrity status and whether the well barrier integrity status will be altered by the activity.
- (c) A description of the design, construction, operation and decommissioning of the temporary or semi-permanent appraisal production infrastructure associated with the extended well testing and the beneficial use of that petroleum.
- (d) A list of any documents that have been prepared for the operation of the activity.
- (e) A timetable for carrying out and completing the activity including the various stages of the activity.

In relation to the technical aspect of the application, when the application requires a list of the codes and standards to be specified it must include a table with a list of Australian and International Standards and codes. Listed Australian and International Standards should have the following four elements:

- (a) the prefix of the standard issuing organisation;
- (b) the standard number;
- (c) the year of issue; and
- (d) the standard title.

### 3.2. Required information for consideration

Any application for consideration by the Minister must provide the following information:

- (1) Evidence of a discovery of petroleum within the boundaries of the petroleum interest including the most current analysis of the structure, extent and location of the resource and the estimated volumes

---

<sup>5</sup> See section 57AAA(1) of the Act.

of petroleum present that comply with the requirements of the *Petroleum Resources Management System*.<sup>6</sup> Details of the data, assumptions and methodologies used by the interest holder to determine the estimates must also be included in the application.

An application for the beneficial use of petroleum would, at a minimum, require a discovery notification under section 64(1)(a) of the Act to have made to the Minister.

- (2) The objective for the proposed extended well testing including how the information obtained will assist in determining the accumulation of petroleum within the petroleum interest boundaries and how the information will inform further development of the petroleum pool (including production).

The interest holder's objective must be consistent with seeking to understand the extent of the resource and to develop options (including modelling) for the commercial exploitation of the resource under a production licence. Details of how the objective of the extended well testing is consistent with the interest holder's overall exploration and potential development strategy of the petroleum interest must be included in the application.

- (3) The interest holder's proposal regarding the extended well testing including:

- (a) The proposed duration of the extended well testing and the recovery of petroleum on an appraisal basis (including proposed commencement and end dates).<sup>7</sup>
- (b) The number of wells the subject of the application and the petroleum pool/pools that each well will target. A description of the well including its name, number and location must be included and a summary of any previous periods of extended well testing for the relevant wells (if any).
- (c) The estimated likely volume to be recovered during the extended well testing. Details of the data, assumptions and methodologies used by the interest holder to determine the estimate must also be included in the application. If a range is provided then what factors impact on recovery must be outlined in the application.
- (d) The rate at which petroleum is proposed to be recovered and an outline of the likely impact on the projected production profile for the petroleum pool. If a range is provided then what factors impact on the rate must be outlined in the application

The proposed rate at which petroleum being recovered for appraisal purposes must not compromise the ultimate recovery potential of the well or the field.

- (4) Justification from the interest holder, noting this is only an application to recover petroleum on an appraisal basis, as to why production is not currently commercially viable and therefore the interest holder cannot apply for a production licence.<sup>8</sup>

The interest holder must consider the *Petroleum Resources Management System*<sup>9</sup> and demonstrate to the Minister that the interest holder has undertaken a fulsome analysis of potential production scenarios (based on their current analysis of the petroleum pool) of the petroleum interest and outline why they consider that production is not viable.

Specifically, an interest holder must provide an explanation as to whether or not:

---

<sup>6</sup> As published by the Society of Petroleum Engineers from time to time.

<sup>7</sup> The Minister must determine a period when granting the approval. This will be done on a case by case basis.

<sup>8</sup> Section 62A of the Act provides that the Ministers must not release or publish information which is a trade secret or which would reasonably be expected to adversely affect the lawful business of a person.

<sup>9</sup> As published by the Society of Petroleum Engineers from time to time.



- (a) there is sufficient certainty of the extent of the petroleum pool to justify production development;
  - (b) it is reasonable that financial appropriations can be secured (to a high likelihood) to implement the production development;
  - (c) there is a reasonable assessment that a production development will have positive economics or meet defined investment and operating criteria;
  - (d) there is a reasonable expectation that there will be a market for forecast sales quantities of the petroleum required to justify production development; and
  - (e) there is evidence that the necessary production and transportation facilities are available to support a production development.
- (5) The interest holder's proposal for the appraisal production infrastructure to be constructed on the petroleum interest required for the recovery of petroleum on an appraisal basis. The proposal must include a plan of the proposed appraisal production infrastructure that demonstrates the infrastructure will be appropriately designed, built, operated and decommissioned to ensure that petroleum recovered will be appropriately managed from the point of extraction at the wellhead to the point of removal from the petroleum interest.

Appraisal production infrastructure is either temporary or semi-permanent surface infrastructure and the interest holder's proposal must include information regarding the proposed decommissioning of that infrastructure. Appraisal production infrastructure does not include a well or any pipelines which may be constructed outside of a petroleum interest and regulated under the *Energy Pipelines Act 1981*.

The plan must include the following:

- (a) An introduction relating to the items of appraisal production infrastructure that is proposed to be constructed on petroleum interest, including:
  - (i) an outline or description of the appraisal production infrastructure; and
  - (ii) a map showing the proposed location of each item of appraisal production infrastructure.
- (b) A description of the interest holder's asset management plan which informs the plan including:
  - (i) information about the interest holder's approach to risk management, including a description of its processes for hazard and risk identification, risk analysis and risk evaluation; and
  - (ii) a description of the interest holder's management of change processes; and
  - (iii) a description of the interest holder's organisational structure as it relates to the management of appraisal production infrastructure, including the responsibilities and competencies of key roles; and
  - (iv) a copy of the risk register.
- (c) The basis of the design of the appraisal production infrastructure and a description of the appraisal production infrastructure facility design, including a process flow diagram.
- (d) A description of the activities, including contingent activities, that will be conducted during the construction, operation and decommissioning of the infrastructure.

- (e) A plan for the independent validation of works to be executed during design, construction, operation and decommissioning of the appraisal production infrastructure by a competent person.
  - (f) A list of the codes, standards and specifications that will be applied in relation to any part or aspect of the appraisal production infrastructure.
  - (g) A description of:
    - (i) the control measures that will be in place to ensure that risks to the integrity of the appraisal production infrastructure are reduced to as low as is reasonably practicable during the relevant period;
    - (ii) the performance standards for those control measures; and
    - (iii) the measurement criteria that will be used to determine whether the performance standards are being met.
  - (h) A description of:
    - (i) the performance outcomes against which the performance of the interest holder in maintaining the integrity of the appraisal production infrastructure is to be measured; and
    - (ii) the measurement criteria that will be used to determine whether the performance outcomes are being met.
  - (i) A description of the monitoring, integrity assurance, record keeping and audit that will be implemented to ensure and demonstrate how performance standards are met during the approval period.
  - (j) A description of the measures and arrangements that will be used to regain control of the appraisal production infrastructure if there is a loss of integrity.
  - (k) A proposal for decommissioning the appraisal production infrastructure.
- (6) Evidence that the interest holder has obtained the approval, consent or agreements under the Land Rights Act or the Native Title Act in relation to the sale or other beneficial use of petroleum recovered on an appraisal basis. The Minister needs to be satisfied that such approval, consent or agreement has been reached before the Minister can approve the application (section 57AAA(5)(d) of the Act).

Evidence could include but is not limited to:

- (a) a copy of the signed agreement between the interest holder and:
  - (i) if the petroleum interest is on Aboriginal land – the relevant Land Council;
  - (ii) if the petroleum interest is not on Aboriginal land and there is a registered native title claim or native title determination – the relevant Land Council and:
    - A. the relevant prescribed body corporate; or
    - B. the relevant registered native title claimants;
  - (iii) if the petroleum interest is not on Aboriginal land and there is no registered native title claim or native title determination – the relevant Land Council;
- (b) a letter from the relevant Land Council confirming that an agreement has been reached; or
- (c) some other evidence that would satisfy the Minister that the requirements of section 57AAA(5)(d) of the Act has been met.

Prior to making a decision under section 57AAA to approve the recovery of petroleum on an appraisal basis the Minister needs to be satisfied that an agreement has been reached under the Land Rights Act or the Native Title Act. The specific terms and conditions of that agreement (including any compensation which may or may not be payable) are not relevant and a redacted version of any agreement can be submitted to the Minister provided the consent, approval or agreement is clear.

- (7) Information from the interest holder regarding an estimate of the anticipated reduction in greenhouse gas emissions that will result from the recovery of the petroleum on an appraisal basis (as opposed to flaring and venting during the extended well testing). The interest holder should provide information on what greenhouse gas emissions are likely to be produced through the recovery of petroleum on an appraisal basis.<sup>10</sup>
- (8) Information from the interest holder regarding the proposed destination and use of the petroleum including an outline of any agreement reached with a third party regarding the sale (or gift) of the petroleum. The specific terms and conditions of any agreement are not relevant but the Minister needs to be satisfied that the term of any agreement is consistent with the application.
- (9) Confirmation from the interest holder that:
  - (a) This application is consistent with the approved WOMP for the relevant wells or, if not, what changes must be made (and approved) to the WOMP to allow for the recovery of petroleum on an appraisal basis and the approximate timeline to revise the WOMP (if necessary).
  - (b) This application is consistent with the approved EMP for the petroleum interest or, if not, what changes must be made (and approved) to the EMP to allow for the recovery of petroleum on an appraisal basis and the approximate timeline to revise the EMP (if necessary).
  - (c) If relevant - this application is consistent with the approved access agreement for the regulated operations or, if not, what changes must be made (and approved) to the approved access agreement to allow for the recovery of petroleum on an appraisal basis and the approximate timeline to vary the agreement (if necessary).<sup>11</sup>

### 3.3. True and correct information

The application for approval for the recovery of petroleum on an appraisal basis must only include information which is true and correct and not misleading. The provision of false or misleading information would undermine the ability for the Minister to appropriately consider the application and potentially impacts on the ability for the Government to administer its legislation.

There are offences under the Act where an interest holder provides misleading information (see section 107) or makes false representations (see section 108).

---

<sup>10</sup> Greenhouse gas emissions from onshore petroleum operations are regulated through the PER 2016.

<sup>11</sup> An approved land access agreement is not required for all petroleum operations. Regulation 12 of the PR 2020 specifies that an approved access agreement is not required for regulated operations on Aboriginal land or vacant Crown land.

## 4. Appraisal production infrastructure: decommissioning and the decommissioning security

### 4.1. Decommissioning

Decommissioning of appraisal production infrastructure will include:

- (a) de-energising and isolating mechanical and electrical equipment;
- (b) venting and purging pipelines and equipment of any residual hydrocarbon (or chemical) contents;
- (c) dismantling and removal from the area any above-ground equipment, pipelines, supports, gathering network, electrical equipment and supporting infrastructure;
- (d) dismantling any civil foundations associated with above-ground equipment, pipelines, supports, gathering network, electrical equipment;
- (e) decommissioning any underground pipelines, gathering networks or utilities in accordance with regulatory requirements and applicable technical standards; and
- (f) removal of any supporting infrastructure.

Decommissioning does not include environmental rehabilitation of the disturbed areas; which are regulated through an EMP and the PER 2016.

### 4.2. Requirement for security

An application must be accompanied by a proposal for the calculation and payment of a petroleum infrastructure decommissioning security relating to the appraisal production infrastructure proposed to be used in connection with the recovery of petroleum on an appraisal basis.<sup>12</sup> The security is required so that, in the event that an interest holder fails to decommission the appraisal production infrastructure in accordance with relevant approvals, the Minister has funds available to do so.

Part VC, Division 3 of the Act provides for the payment of petroleum infrastructure decommissioning securities – including the decommissioning of appraisal production infrastructure.

The Minister has determined under section 117AV of the Act that the appropriate approach is for the security to be based on the estimated ordinary and expected costs of decommissioning the appraisal production infrastructure. This approach recognises that, in relation to approved appraisal production infrastructure:

- (a) the infrastructure is only temporary or semi-permanent; and
- (b) the recovery of petroleum on an appraisal basis is not production and less infrastructure is required; and
- (c) the duration of the approval is based on meeting the objective of the extended well testing and will be for a shorter period of time than production; and
- (d) there are higher uncertainties associated with exploration and appraisal (including extended well testing) compared with production.

---

<sup>12</sup> See section 57AAA(3)(c) of the Act.

Additionally the recovery of petroleum on an appraisal basis is not mandatory (but is discretionary on the part of each interest holder) and will be based on individual circumstances at each site; therefore it is not considered appropriate at this time to benchmark or standardise costs associated with decommissioning appraisal production infrastructure.

## 4.3. Calculation of security

### 4.3.1. Formula

The below formula has been determined by the Minister:

$$\text{Security value} = \text{estimated decommissioning cost} \times 133\%$$

Where the estimated decommissioning cost is provided, assessed and agreed by DITT based on the process at 4.3.2

Given the uncertainty associated with exploration and appraisal activities (and extended well testing), the Minister has determined that it is appropriate to impose a contingency factor in calculating the value of the security to be paid to the Minister. The Minister has determined that the contingency factor should be 33% of the estimated decommissioning costs.

### 4.3.2. Estimated decommissioning cost

The interest holder must provide to the Minister an estimate of the costs associated with decommissioning the appraisal production infrastructure. The estimate must include and address each of the following categories of activity:

- 1) Preparing for the decommissioning of all appraisal production infrastructure including:
  - (a) de-energising and isolating mechanical and electrical equipment; and
  - (b) venting and purging pipelines and equipment of any residual hydrocarbon (or chemical) contents.
- 2) Dismantling or decommissioning of all appraisal production infrastructure including any:
  - (a) pipelines and gathering networks, both above and below ground; and
  - (b) storage, processing, containment or electrical equipment.
- 3) Dismantling of the civil foundations of the appraisal production infrastructure including any supporting infrastructure.
- 4) Removal from site of all dismantled equipment and materials.
- 5) Transport of all equipment and materials from site to a nominated disposal facility including any fees associated with any disposal.
- 6) Project management associated with the planning and execution of the decommissioning process (including any additional approvals required).
- 7) Mobilisation and demobilisation of resources to site to decommission the appraisal production infrastructure (including rotation of personal if required).
- 8) Personnel support services and equipment to enable the decommissioning of the production appraisal infrastructure to occur including:
  - (a) living facilities; and

- (b) transport.

The cost estimate must have a high degree of certainty based on the information available at the time of submission of the application.<sup>13</sup> In the application, the interest holder must provide satisfactory evidence of the estimated cost of the decommissioning of the appraisal production infrastructure.<sup>14</sup> The Minister may request further information to test and validate the interest holder's estimates.

For the avoidance of doubt, the calculation of the security for decommissioning appraisal production infrastructure does not include:

- 1) Any wells associated with the application to recover petroleum on an appraisal basis; a security associated with well decommissioning is regulated under the Act and PR 2020 through a WOMP; and
- 2) Any environmental security; a security associated with the remediation and rehabilitation of the environmental impacts of the regulated activity is regulated under the Act and PER 2016 through an EMP; and
- 3) Any pipeline constructed outside the petroleum interest boundaries under the *Energy Pipelines Act 1981*.

#### 4.4. Payment of security

The interest holder must pay the security, determined by the Minister, prior to commencing any activities - including construction.<sup>15</sup> In accordance with section 117AP of the Act, and taking into account the Treasurer's direction on these matters, the Minister has determined the form of the security to be:

- (a) a cash bond paid to DITT and held in trust; or
- (b) a bank guarantee in the form approved by DITT.

#### 4.5. Release of security

The Minister may release a security when satisfied that all obligations to which the security relates are satisfied and that the relevant decommissioning has satisfied all relevant regulatory requirements.<sup>16</sup> An interest holder may decide not to decommission the appraisal production infrastructure at the end of the approval to recover petroleum on an appraisal basis. In that situation the Minister will retain the security until the appraisal production infrastructure is decommissioned.

---

<sup>13</sup> DITT would expect that the estimate would be consistent with estimate class 3, as detailed in the Cost Estimate Classification System applied in engineering, procurement and construction for process industry. See International Recommended Practice No. 18R-97 published by the Association for the Advancement of Cost Engineering.

<sup>14</sup> This estimate includes the interest holder's internal costs (such as project management); it is not limited to third party costs. DITT would also expect to see detailed costings from the interest holder's nominated suppliers and contractors.

<sup>15</sup> See section 117AW of the Act.

<sup>16</sup> See section 117AY of the Act.

## 5. Assessment of the application

### 5.1. Matters for consideration

The Minister must not approve an application to recover petroleum on an appraisal basis unless the Minister is satisfied of matters specified at section 57AAA(5).

In addition to those matters at section 57AAA of the Act the Minister must, pursuant to section 6A and Schedule 1 of the Act, consider the principles of ecologically sustainable development. The principles of ecologically sustainable development are defined by reference to the EP Act 2019 are:

- (1) Decision-making principles (see section 18 of the EP Act 2019)
- (2) The precautionary principle (see section 19 of the EP Act 2019)
- (3) Principle of evidence-based decision-making (see section 20 of the EP Act 2019)
- (4) Principle of intergenerational and intragenerational equity (see section 21 of the EP Act 2019)
- (5) Principle of sustainable use (see section 22 of the EP Act 2019)
- (6) Principle of conservation of biological diversity and ecological integrity (see section 23 of the EP Act 2019)
- (7) Principle of improved valuation, pricing and incentive mechanisms (see section 24 of the EP Act 2019)

An interest holder must clearly demonstrate how the activities specified in the application will be carried out in a manner consistent with the principles of ecologically sustainable development.

### 5.2. Potential conditions

The Minister is entitled to approve an application to recover petroleum on an appraisal basis subject to conditions imposed by the Minister. The Minister will consider each application on a case-by-case basis including what conditions are appropriate in individual circumstances.

Some matters which the Minister may consider imposing a condition in relation to are as follows:

- (1) Obligations for the interest holder to report to the Minister:
  - (a) on a monthly basis, any petroleum that is flared or vented;
  - (b) on a monthly basis, updated analysis of whether the objective for the extended well testing has been achieved;
  - (c) within 20 business days, if the interest holder stops carrying out extended well testing for a continuous period of 14 days or more.
- (2) A requirement for the interest holder to make reports under the [Local Benefit Report Guide](#).

The period for which the approval is granted is a mandatory condition.<sup>17</sup> The approval to recover petroleum on an appraisal basis is not quasi or de-facto production and the period approved cannot be longer than the term of the petroleum interest for which it is approved under.

---

<sup>17</sup> See section 57AAA(7). The Minister may extend the period of approval on application by the interest holder (see subsection (10)).

## 5.3. Decision-making

The Minister will endeavour to determine an application within 45 days however this is dependent on a range of matters including whether the Minister requires further information.

After making a decision, the Minister will issue reasons for the decision to the interest holder, whether granting the approval (with or without conditions) or refusing the interest holder's application to recover petroleum on an appraisal basis.

## 5.4. Non-compliance with conditions of approval

In the event of non-compliance with a condition of approval to recovery petroleum on an appraisal basis:

- (1) the CEO may issue a compliance direction to an interest holder (see 89N of the Act); and
- (2) the Minister has a range of powers, subject to requirements to give notice, including to cancel an approval (see section 57AAA(11) of the Act).

# 6. Other approvals and obligations under the Act

## 6.1. Interaction with other approvals under the Petroleum Act 1984

The approval to recover petroleum on an appraisal basis is not a stand-alone approval but part of the suite of approvals that ensure that the onshore petroleum industry is appropriately regulated.

An approval to recover petroleum on an appraisal basis is intended under the Act to intersect with other key approvals necessary to undertake activities on a petroleum interest including:

- (1) An approved well operations management plan (WOMP): which must provide for the recovery of petroleum on an appraisal basis or be revised to provide for the same.
- (2) An approved environment management plan (EMP): which must provide for the recovery of petroleum on an appraisal basis or be revised to provide for the same.
- (3) If relevant - an approved access agreement: which must provide for the recovery of petroleum on an appraisal basis or be varied (by agreement or otherwise determined in accordance with the PR 2020) to provide for the same.<sup>18</sup>
- (4) If relevant - a water extraction licence under the *Water Act 1992* which permits groundwater to be taken for hydraulic fracturing activities or be amended to provide for the same;
- (5) If relevant - a water bore permit under the *Water Act 1992* which allows a bore to be drilled for petroleum activities or be amended to provide for the same.

If any one of the suite of above approvals does not allow for the recovery of petroleum on an appraisal basis then an interest holder cannot do so.

---

<sup>18</sup> An approved land access agreement is not required for all petroleum operations. Regulation 12 of the PR 2020 specifies that an approved access agreement is not required for regulated operations on Aboriginal land or vacant Crown land.



## 6.2. Approval of a measuring device

In accordance with section 58(ga) of the Act, and at the same time as making an application under section 57AAA, the interest holder must apply to the CEO for approval, in relation to the relevant well, a measuring device at a specified location on the exploration permit area or retention licence area.

These measuring devices are used to measure the quantity and composition of petroleum and water recovered from the well. In making an application the interest holder must provide details of the equipment and procedures proposed to be used to determine the quantity and composition of petroleum and water from the well including the following:

- (1) the Australian or international standards that will apply to the measuring devices;
- (2) the frequency of validation testing and certification of records of measuring devices (to verify their accuracy); and
- (3) the validation and certification records for the measuring devices.

These devices are critical in ensuring that the petroleum recovered from a well is accurately measured; that monthly production reports are accurate and therefore there is an appropriate check on any returns lodged by an interest holder under the *Petroleum Royalty Act 2023*.

## 6.3. Additional obligations under the Petroleum Act 1984

In addition to the above approvals the interest holder needs to:

- (1) Provide monthly production reports in accordance with regulation 66AAT and Schedule 4K of the PR 2020.
- (2) Provide activity notifications in accordance with regulation 66AAJ and associated reports under the PR 2020.
- (3) In an annual report for the petroleum interest provide information on the recovery of petroleum on an appraisal basis undertaken on the title area during the reporting period, including an assessment of the interest holder's compliance with an approval.

Finally, the recovery of petroleum on an appraisal basis is not de-facto production; rather it provides an opportunity to reduce the unnecessary waste of a natural resource (and avoidable scope 1 greenhouse gas emissions) where extended well testing is required to determine the extent of the resource.

In the event that the Minister is satisfied that the commercial production of petroleum should commence in the exploration permit area or the retention licence area then the Minister retains the ability to issue a notice under the Act requiring the interest holder to show cause as to why they should not apply for a production licence. If the Minister is not satisfied with the response of the interest holder the Minister may direct the interest holder to apply for a production licence (see section 30 and 43 of the Act).<sup>19</sup>

---

<sup>19</sup> Note the restriction on the Minister's ability to exercise this power in the event that the blocks are on Aboriginal land and no agreement has been reached under the Land Rights Act in relation to the production of petroleum in the area (see sections 30(6) and 43(5) of the Act).

## 7. Interactions with other Territory or Commonwealth legislation

There are a range of other legislation which regulates the onshore petroleum industry and which would include the recovery of petroleum on an appraisal basis. This guideline is not a comprehensive overview of all legislation which may be relevant to the application but is a reminder that an interest holder needs to assess and consider what other approvals, obligations or reporting might be required under Territory or Commonwealth legislation.

In particular an interest holder needs to consider whether the recovery of petroleum on an appraisal basis:

- (1) Triggers an obligation on the interest holder to pay the Territory a royalty on petroleum produced in the project area in accordance with the *Petroleum Royalty Act 2023* (see section 8 of that Act and section 58(aa) of the Act).

A royalty is not payable for:

- (a) petroleum used for incidental purposes by the interest holder; and
- (b) petroleum produced, on an exploration permit, that is used or lost through venting or flaring

An interest holder should contact [royaltiesandassurance.dtf@nt.gov.au](mailto:royaltiesandassurance.dtf@nt.gov.au) for more information.

- (2) Requires referral by the interest holder to the NT Environment Protection Authority (NT EPA) under the EP Act 2019 (depending on the scope of the application).

An interest holder should contact [eia.ntepa@nt.gov.au](mailto:eia.ntepa@nt.gov.au) for more information.

- (3) Requires reporting to the National Pollutant Inventory, via the NT EPA.

An interest holder should contact [npi.officer@nt.gov.au](mailto:npi.officer@nt.gov.au) for more information.