

## **Block Offer 2012**

### **Questions and Answers**

**11 December 2012**

#### **Block Offer 2012 permits**

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## Block Offer 2012 permits

### 1. How many exploration permits have been awarded in Block Offer 2012, and where and to whom?

Ten petroleum exploration permits (PEP) have been awarded to seven companies/consortiums:

#### **Offshore**

- PEPs 54858 and 54861 to Anadarko – two offshore exploration permits in the Pegasus Basin for blocks 12PEG1 and 12PEG2
- PEP 54863 to Shell, OMV and Mitsui – one offshore exploration permit in the Great South Basin for block 12GS2
- PEP 54865 to Todd Exploration and Cue Taranaki – one offshore Taranaki Basin permit for block 12TAR9
- PEP 54857 New Zealand Oil & Gas – one offshore Taranaki permit for block 12TAR8

#### **Onshore**

- PEPs 54876, 54877 and 54879 Cheal Petroleum and East West Petroleum – three onshore Taranaki permits for blocks 12TAR3, 4 and 5.
- PEP 54873 Tag Oil – one onshore Taranaki permit for block 12TAR6
- PEP 54867 New Zealand Energy Corporation and New Zealand Oil & Gas – one onshore Taranaki permit for block 12TAR7.

[Block Offer 2012 awarded permits map](#)

[Company profiles](#)

### 2. Do the permits include any areas listed in Schedule 4 or World Heritage Areas?

No. Land listed under Schedule 4 of the Crown Minerals Act 1991 and World Heritage Areas has been excluded from the permit areas. Schedule 4 covers areas of particular natural significance and includes national parks and nature reserves.

### 3. How many bids were received?

Twenty-four qualifying bids were received across 13 of the blocks tendered. There was good competitive interest across several blocks, particularly in Taranaki.

#### 4. How were the bids evaluated?

New Zealand Petroleum & Minerals, a branch of the Ministry of Business, Innovation and Employment, was responsible for undertaking the evaluation.

The evaluation panel selected the best applications and applicants for each block. Applications were evaluated on a number of criteria including the applicants' proposed work programme, technical and financial capability, and corporate profile, along with iwi engagement strategies, risk management practices and operating experience.

#### 5. What does a bid comprise of?

Each bid sets out how the company proposes to explore the block over the period covered by the permit, including the methods and technologies they propose to complete their work programme.

[Read about the process for bidding in the Invitation for Bids \[2.5 MB PDF\]](#)

#### 6. What activity will companies be undertaking in the permit areas?

The following activity has been detailed in the work programme bids accepted by the government:

**Offshore:**

Anadarko has committed to the following over permit 54858 (block 12PEG1):

- committed 2,600 km 2D seismic survey
- contingent 750 km<sup>2</sup> 3D seismic survey
- contingent exploration well within 60 months.

Anadarko has committed to the following over permit 54861 (block 12PEG2):

- committed 1,700 km 2D seismic survey
- contingent 1,250 km<sup>2</sup> 3D seismic survey
- contingent exploration well within 60 months.

Shell/OMV/Mitsui have committed to the following over permit 54863 (block 12GS2):

- committed 2,000 km 2D seismic survey
- contingent 1,500 km<sup>2</sup> 3D seismic survey
- contingent exploration well within 60 months.

Todd Exploration and Cue Taranaki have committed to the following over permit 54865 (block 12TAR9):

- committed 285 km<sup>2</sup> 3D seismic survey
- contingent exploration well within 48 months.

New Zealand Oil & Gas has committed to the following over permit 54857 (block 12TAR8):

- committed 400 km 2D seismic survey
- contingent 300 km<sup>2</sup> 3D seismic survey
- contingent exploration well within 60 months.

**Onshore:**

Cheal Petroleum & East West Petroleum have committed to the following over permit 54876 (block 12TAR3):

- committed one exploration well within 12 months
- contingent exploration well 12 – 36 months
- contingent 2D and 3D seismic.

Cheal Petroleum & East West Petroleum have committed to the following over permit 54877 (block 12TAR4):

- committed five exploration wells within 12 months
- further three contingent wells over permit's first term.

Cheal Petroleum and East West Petroleum have committed to the following over permit 54879 (block 12TAR5):

- committed three exploration wells within 12 months
- further two contingent wells over permit's first term.

Tag Oil has committed to the following over permit 54873 (block 12TAR6):

- committed exploration well within 12 months
- contingent 60 km 2D seismic survey
- contingent exploration well within 36 months.

New Zealand Energy Corporation and New Zealand Oil & Gas have committed to the following over permit 54867 (block 12TAR7):

- committed 70 km 2D seismic survey
- committed 30 km<sup>2</sup> 3D seismic survey
- contingent exploration well within 48 months.

Detailed information on work programmes is available by entering the permit number or company name into our online [Permit Search](#).

## **7. Who pays for the exploration?**

The companies which owns the permit pays the cost of exploration activity.

## Background to Block Offer 2012 process

### 8. How were blocks selected for Block Offer 2012?

Each year the government will identify areas of exploration interest that will be consulted on with iwi and councils. The areas will be selected to take account of geology, prospectivity, and to ensure there are blocks suited to a range of potential operators.

This year the government proposed 25 onshore and offshore areas of interest, of which 23 were tendered.

[Read about the blocks tendered in 2012](#)

### 9. What happens to blocks not bid for?

Blocks not awarded will be considered in future block offers. Where blocks have not been permitted and are located in the Offshore Release Areas for Block Offer 2013, those blocks could be part of the 2013 permitting round.

### 10. What is the government doing to ensure early and on-going engagement with iwi and councils?

The Ministry of Business, Innovation and Employment, including its New Zealand Petroleum & Minerals branch, has been engaging with and will continue to engage with iwi, hapū and local government on block offers, and on petroleum and minerals development more generally.

Further, the terms and conditions of the tender process clearly stated an expectation for permit holders to engage with iwi throughout the petroleum exploration process.

### 11. Why is the government using a block offer approach?

The government is committed to strategically managing exploration interest in New Zealand.

Using the block offer approach exclusively, the government has more control over the areas opened for exploration, can deliver a more transparent process, and can more proactively engage with iwi and councils on areas proposed for future exploration tendering. The aim is also to reposition New Zealand in the international market and attract increased investment.

## **12. Why does the government want to increase gas and oil exploration interest in New Zealand?**

Oil and gas are already important contributors to the New Zealand economy, and there is potential to increase the returns from further responsible development of those resources. New Zealand's oil, gas and mineral resources are part of a balanced approach to New Zealand's energy future – that includes exploration and production alongside renewables and alternative energy.

Oil is New Zealand's 4<sup>th</sup> largest commodity export and gas is an important contributor to domestic industries and electricity generation. Production contributes in excess of \$2.5 billion to New Zealand's GDP.

The government receives about 42 percent of a petroleum company's accounting profit, which includes both taxes and royalties. These taxes and royalties help pay for services that benefit all New Zealanders, such as, schools, hospitals, roads and broadband.

We also expect regional benefits including job creation and training, community investment and infrastructure development. In the case of Taranaki, for example, the only region producing oil and gas in New Zealand, [Venture Taranaki](#) estimated that the local industry creates over 5,000 direct and indirect fulltime-equivalent positions.

## **13. How will the government provide protection and appropriate management of sites of local, cultural and historical significance?**

Under the Minerals Programme for Petroleum 2005, the Crown has responsibilities in respect of the active protection of areas of importance to iwi. The exclusion from a block offer of defined areas of land of particular importance to the mana of iwi is one mechanism to achieve this. However, the Crown must also give regard to the relative prospectivity of the area.

In most cases, we believe the best way to balance the interests of active protection with responsible development is to include sites of significance in the block offer and to then encourage and facilitate engagement between iwi and permit holders. They should together seek to find solutions for avoiding or minimising any impacts of petroleum exploration activities on or near sites of significance. An expectation on permit holders to engage with iwi was included in the terms and conditions of the Block Offer 2012 tender process. Companies have been vetted on their ability to meet annual iwi engagement reporting obligations.

It is also important to note that actual activity undertaken by an operator typically involves a much smaller area than the area of the permit block. Therefore, in many cases the best stage to address the sensitivity of specific sites is at the point prior to activity occurring. This is also the stage at which environmental legislation to manage the effects of activity has a role via the [Resource Management Act 1991](#) (for permits on land and within 12 nautical miles off the coast) or the [Exclusive Economic Zone and Continental Shelf \(Environmental Effects\) Act 2012](#) (for permits beyond 12 nautical miles off the coast).

**14. How is the government responding to concerns about health, safety and environmental controls in New Zealand?**

The government is committed to ensuring that New Zealand has a world-class and robust regulatory environment for the safe and environmentally responsible exploration, production and transportation of our petroleum resources.

A number of initiatives this year will strengthen the regulatory regime, including:

- strengthening upfront provisions in the Crown Minerals Act 1991 regarding the health, safety and environmental credentials of operators (particularly in light of recommendations from the Pike River Royal Commission of Inquiry)
- putting in place a comprehensive regime to manage the environmental effects of all petroleum exploration activities in EEZ and out to the extended Continental Shelf
- strengthening the regulation of wells and well drilling activities following international best practice
- the establishment of a new Petroleum High Hazards Unit with a marked increase in the number of inspectors and the appointment of a Chief Inspector
- strengthening guidelines for minimising acoustic disturbance to marine mammals from seismic operations
- strengthening regional partnerships to increase our oil spill response capability.

**15. How will the government ensure benefits of oil and gas development are seen at a local level?**

The government receives about 42 percent of a petroleum company's accounting profit, which includes both taxes and royalties. These taxes and royalties help pay for services that benefit all New Zealanders, such as, schools, hospitals, roads and broadband.

We also expect regional benefits including job creation and training, community investment and infrastructure development. In the case of Taranaki, for example, the only region producing oil and gas in New Zealand, [Venture Taranaki](#) estimated that the local industry generated 5,090 direct and indirect fulltime-equivalent positions in 2009.