

# Block Offer 2014 Awards - Questions and Answers

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## **What is a Block Offer?**

The Petroleum Block Offer is an annual tender used to allocate petroleum exploration permits.

In 2012 the Government adopted block offers exclusively to allocate petroleum exploration permits. This replaced a first-come, first-served approach where the government had little influence over when or where companies applied for petroleum exploration permits.

This process is transparent and enables us to engage with affected iwi, hapū and councils before the final tender is announced. Adoption of an annual cycle for the tender also assists us to target promotion of the Block Offer and New Zealand's potential for petroleum exploration to investors.

New Zealand Petroleum and Minerals (NZP&M) administers the tender, assesses bids and grants permits.

## **When did Block Offer 2014 open?**

The Government opened the tender for Block Offer 2014 with an *Invitation for Bids* in April 2014. The invitation lists specific areas, made up of blocks, which companies may bid for. This allows companies to define their desired permit area based on their analysis of the available data.

Bidding for the tender closed on 9 October 2014.

## **How are bids assessed?**

Bids are assessed according to criteria set out in the Crown Minerals Act 1991, the Petroleum Programme 2013 and the Invitation for Bids.

This is not a financial tender. Bids must set out how the company proposes to explore its desired permit area, including the methods and technologies they plan to use. Bids can be made by individual companies or joint ventures.

This assessment considers the bidder's work programme and other criteria including their technical and financial capability, their compliance history and their likely ability to meet health, safety and environmental requirements.

## **What does an exploration permit allow the holder to do?**

An exploration permit gives the permit holder the rights to search for commercially recoverable reserves of oil and gas in a specific area. The activities allowed under this permit include sampling, aeromagnetic surveys, geological studies, compiling reports, seismic surveys and drilling exploratory wells to establish if there is oil or gas in the area.

Before they begin any exploratory drilling the operator must get:

- any resource consent required from the local district council (if on land) and regional councils (if on land or in territorial waters); or
- a marine consent from the Environmental Protection Authority (if beyond 12 nautical miles).

Permit holders must also arrange land access with the landowner and/or occupier. Access to conservation land must be arranged with the Department of Conservation.

If commercial quantities of petroleum are found, operators must apply for a petroleum mining permit from NZP&M. The process for this application includes further consultation with affected iwi and hapū. Resource and marine consents are also required.

For more information see our [guide to government management of petroleum](#)

### **Why are some of the permits that have been granted described as “conditional”?**

Last year new provisions were introduced to the Crown Minerals Act (section 29B) to allow the government to grant ‘conditional permits’. This type of permit allows for a broader spectrum of operators, including companies that want to develop a permit to the point that they can “farm-in” or partner with another company that has the resources needed to develop the permit, such as undertake further exploration drilling. Applications for conditional permits undergo an initial capability assessment covering committed activities in their work plan.

No exploration drilling is possible under a conditional permit until an additional capability assessment is successfully completed. The permit holder must apply for this assessment. Their permit’s work programme will include a date by which they must decide to commit to drill an exploration well or surrender their permit, and the application for a further capability assessment must be made at least 45 days before this date.

See [www.nzpam.govt.nz/cms/investors/permits/petroleum-permits](http://www.nzpam.govt.nz/cms/investors/permits/petroleum-permits) for an overview of petroleum permits.

### **Why does New Zealand need more oil and gas exploration?**

Building a more competitive and productive economy is a Government priority. Oil is already our fourth largest export. Natural gas contributes significantly to domestic industries and electricity generation. The Government collected \$370 million in royalties in the 2013-2014 financial year. Future oil and gas discoveries would significantly lift exports, improve Gross Domestic Product, increase government revenue and create opportunities for regional development.

For more information see the [Business Growth Agenda report – Building Natural Resources](#)

### **Why do some of the exploration permits overlap with populated areas?**

A number of the permits announced for Block Offer 2014 overlap towns, including Dannevirke, Pahiatua, Murchison and Hokitika. However this is not unusual.

Permits generally cover a large area and it is not uncommon for permits to overlap with commercial or populated sites, including towns. For example, in Taranaki current petroleum exploration permits overlap with Waitara, Stratford and Opunake.

The fact a permit includes a town or a residential area does not mean that the exploratory activity will actually take place in these locations.

Before operators undertake exploratory drilling they will need to get resource consents required from the local district council and regional councils. Councils may restrict the activities possible in urban areas in their District Plans.

Exploration activity typically involves a much smaller area than the area of a permit, and the effects of these activities are generally minor and short term. Only a very small percentage of permits lead to a discovery and then progress to mining permits and active mining.

### **Why has a permit been granted in the North Island's West Coast Marine Mammal Sanctuary?**

Permit 57075 granted OMV New Zealand Limited includes a 55km<sup>2</sup> overlap with the North Island West Coast Marine Mammal Sanctuary. This amounts to less than half of a percent of the sanctuary.

All of New Zealand's marine mammal sanctuaries allow for Seismic Surveying as long as it meets their specific legislative requirements or follows the 2013 Code of Conduct for Minimising Acoustic Disturbance to Marine Mammals from Seismic Survey Operations. This was developed by the Department of Conservation and the Petroleum Exploration & Production Association of New Zealand (PEPANZ).

This ensures that marine mammals are protected during petroleum exploration. The Code requires operators to submit an environmental impact assessment to the Department of Conservation. It requires survey vessels to have marine mammal observers on-board during surveys. Operators must temporarily halt survey activity if any marine mammals are spotted in a predefined mitigation zone. This code is considered to be one of the most rigorous in the world.

### **Does petroleum exploration activity in the West Coast Marine Mammal Sanctuary pose a threat to Maui's Dolphins?**

In 2012 the Government asked a forum of experts to review the risks to Maui's dolphins and look at what more could be done to ensure their survival. The forum found that the risk to Maui's dolphins from oil and gas development is very small. The greatest risk identified was from fishing.

The petroleum industry has been active in this area for many years and no incidents involving Maui's dolphins have been recorded. There are 17 active permits granted either in or overlapping the sanctuary. This includes the Pohokura gas field which produces around half of New Zealand's natural gas.

### **Why do some of the permitted areas for Block Offer 2014 overlap with conservation areas (including forest parks)?**

Exploration activity is generally allowed on conservation land, including conservation parks (known as Forest Parks).

Permit 57068 granted Mosman Oil & Gas Limited includes a 16km<sup>2</sup> overlap with Victoria Forest Park. This overlap amounts to less than 0.8% of the park.

Exploration activity is not allowed in a number of high value conservation areas. These are identified in Schedule 4 of the Crown Minerals Act. We do not include any of these areas in the proposed Block Offer. Similarly we do not include World Heritage Areas.

### **How does the Government protect permitted conservation areas?**

The Department of Conservation can mitigate potential environmental impacts of activity on conservation land by managing land access arrangements. The Minister of Conservation may decline to grant access, or put stringent conditions on access to minimise the impact on the environment.

Permit holders who want to explore on conservation land must apply for any resource consents required by local authorities. Councils may put stringent conditions on consents.

### **Does the inclusion of conservation land mean these areas will eventually be mined?**

No. First, exploration activity typically involves a much smaller area than the area of a permit, and the effects of these activities are generally minor and short term. Second, only a very small percentage of permits lead to a discovery and then progress to petroleum mining permits and active production.

### **Why have you granted permits in tourist areas such as national cycle ways?**

Tourism and mining are not incompatible. Many historic mining sites are tourist attractions in their own right, including the Karangahake Gorge walk through historic mining tunnels in the Coromandel.

There are many active mining permits that overlap with tourism areas, including national cycle ways. The Hauraki, West Coast and Otago sections of the national cycle trail run through longstanding mining areas (that existed well before the cycle trails were introduced).

Oil and gas exploration typically gathers data over large areas to identify where petroleum deposits are. The areas granted under mining permits are much smaller than those for exploration permits, and the actual footprint of petroleum and mining activity is smaller again. For example, a permit can cover 100km<sup>2</sup>. In comparison a petroleum exploration drill site can be only 50m<sup>2</sup>.

If a discovery is made it may be nowhere near a national cycle trail or other areas of significance. If a discovery was made in one of these areas resource consent would be required (as well as consent to access the land from the land owner (ie. DoC for conservation land)).

Competing economic interests, including environmental tourism, would be considered at this point.

## **BACKGROUND ON BLOCK OFFER 2014**

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### **How were the areas in the tender selected?**

Areas are identified based on formal nominations received from industry and other interested parties, and the data that is available about their geological prospectivity.

The tender did not include any land listed in Schedule 4 of the Crown Minerals Act (including national parks, nature reserves, wildlife sanctuaries and marine reserves), or World Heritage sites. Areas of importance to Māori identified in section 3.1 of the Petroleum Programme are not included either (such as Mount Taranaki and the Pouakai, Pukeiti and Kaitake Ranges).

### **Who did you consult with for Block Offer 2014?**

NZP&M consulted with 99 affected iwi, hapū and 63 affected local authorities between November 2012 and January 2013.

Under the Crown Minerals Act 1991 and Minerals Programme for Petroleum 2013, the government must consult with all affected iwi and hapū before releasing a Block Offer. The legislation also provides for consultation with local authorities.

The aim of consultation is to identify sensitive areas not already protected by legislation, so we can take steps before we launch the Block Offer. Options include removing areas from the Block Offer or putting conditions on activities within an area to recognise its importance.

Officials reviewed consultation submissions and made recommendations for changes to the Minister of Energy and Resources.

### **What changes were made to the Block Offer proposal following consultation?**

Changes made to the Block Offer following consultation included:

- 14TAR-R2 (onshore Taranaki) was amended to exclude sites of significance which overlap with the New Plymouth District Council district boundaries. We removed Parihaka Pā to recognise its importance to the Taranaki Iwi. Any permit granted within this release area will also require operators starting any petroleum exploration activity within 200 metres of the Tangahoe, Pātea and Whenuakura Rivers to give Te Runanga o Ngati Ruanui 20 working days' notice.
- Area 14ECT-R1 (onshore East Coast) was amended to exclude areas over the Ruataniwha aquifer system. This consultation area was also amended to better reflect likely prospectivity in the area.
- Area 14WEC-R1 (onshore West Coast) was also amended to better reflect prospectivity in the area.

- Area 14GSC-R1 (offshore Canterbury/Great South Basin) was amended to remove an overlap with the Banks Peninsula Marine Mammal Sanctuary.
- Area 14PEG-R1 (offshore Pegasus Basin) was amended to remove an overlap with the then planned Kaikoura whale sanctuary.

See [www.nzpam.govt.nz/cms/investors/permits/block-offers/2014/block-offer-consultation](http://www.nzpam.govt.nz/cms/investors/permits/block-offers/2014/block-offer-consultation) for more information on consultation for Block Offer 2014.

### **Did the government consult with the public?**

Public consultation usually takes place later in the regulatory process - once a permit has been granted. Consultation may take place if the permit holder has to seek resource consent from a local authority, if they need marine consent from the Environmental Protection Authority.

### **How does the Government manage health and safety and environmental issues related to the industry?**

Health, safety and environmental matters are managed by a number of government agencies, and local government:

- NZP&M assesses an applicant's technical and financial capability, compliance history and assesses whether they will be likely to meet health, safety and environmental legislation before we grant a permit.
- The Minister for the Environment is responsible for legislation and regulations applying to the Exclusive Economic Zone and territorial waters. This includes the Exclusive Economic Zone and Continental Shelf (Environmental Effects) Act 2012 and the Resource Management Act 1991.
- The Environmental Protection Authority manages the effects of specified restricted activities on the environment in the Exclusive Economic Zone and continental shelf. They manage applications for marine consents, monitor compliance, and enforce relevant legislation.
- WorkSafe New Zealand monitors the health and safety of staff and oil wells throughout their design, construction, operation, maintenance, modification, suspension and abandonment.
- The Department of Conservation is responsible for protected species and manages guidelines for minimising disturbance to marine mammals from seismic surveys in marine mammal sanctuaries.



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- Maritime New Zealand ensures operators have plans to manage waste and to respond to emergencies arising from an oil spill or leak. They are also responsible for New Zealand's readiness and coordination of a response to a major oil spill.
- Local authorities manage the effects of activities on the environment onshore and in territorial waters through resource consents.

For more information see:

- a guide [to responsibilities of local and central government in offshore exploration and production](#)
- guide to [government management of petroleum](#)

PEP 57057 (2121 km<sup>2</sup>)  
Statoil New Zealand B.V.

PEP 57070 (1618 km<sup>2</sup>)  
New Endeavour Resources  
(N.Z.) Ltd

PEP 57075 (1365 km<sup>2</sup>)  
OMV New Zealand Limited

PEP 57090 (2121 km<sup>2</sup>)  
ONGC Videsh Limited

PEP 57058 (883 km<sup>2</sup>)  
Mosman Oil and Gas (NZ) Limited

PEP 57068 (517 km<sup>2</sup>)  
Mosman Oil and Gas (NZ) Limited

PEP 57067 (990 km<sup>2</sup>)  
Mosman Oil and Gas (NZ) Limited

PEP 57083 (9968 km<sup>2</sup>)  
Chevron New Zealand Exploration Limited  
– 50% (Operator) and Statoil New Zealand B.V. – 50%

PEP 57080 (2446 km<sup>2</sup>)  
Todd Exploration Limited – 50% (Operator)  
Beach Petroleum (NZ) Pty Limited – 50%

PEP 57063 (89 km<sup>2</sup>)  
TAG Oil (NZ) Limited

PEP 57076 (101 km<sup>2</sup>)  
Petrochem Limited

PEP 57065 (60 km<sup>2</sup>)  
TAG Oil (NZ) Limited

PEP 57073  
(9800 km<sup>2</sup>)  
OMV New Zealand Limited

PEP 57087 (6259 km<sup>2</sup>)  
Chevron New Zealand  
Exploration  
Limited – 50% (Operator)  
and Statoil  
New Zealand B.V. – 50%

PEP 57085 (9802 km<sup>2</sup>)  
Chevron New Zealand Exploration  
Limited – 50% (Operator) and Statoil  
New Zealand B.V. – 50%

