

Block Offer 2015 - Questions and Answers

Block Offer 2015 - Questions and Answers.....	1
What areas are included in Block Offer 2015?.....	2
How are the areas in the Block Offer selected?.....	3
Who was consulted for Block Offer 2015?.....	3
What changes were made following consultation?.....	3
Why does the Offshore Taranaki Release Area overlap with the North Island West Coast Marine Mammal Sanctuary?.....	4
Does petroleum exploration activity in the West Coast Marine Mammal Sanctuary pose a threat to Maui’s Dolphins?.....	4
Why do some of the permitted areas for Block Offer 2015 overlap with conservation areas (including forest parks)?.....	5
Does the release of Block Offer 2015 mean all the areas in the tender will eventually be drilled for oil?.....	5
What is the process for bidding on a Block Offer?.....	5
How will bids be assessed?.....	6
How long will permits under Block Offer 2015 be granted for?.....	6
Does the Government expect to see lower interest in the Block Offer, given the international impact of low oil prices?.....	6
Is the Government committed to future Block Offers?.....	6
Background on Block Offers.....	7
Why does New Zealand need more oil and gas exploration?.....	7
What is a Block Offer?.....	7
What will an exploration permit allow the holder to do?.....	7
How does the Government manage health and safety and environmental issues related to the industry?.....	8
Block Offer 2015 Release Areas.....	9
Northland- Reinga Basin (15NRN-R1).....	9
Offshore Taranaki Basin (15TAR-R1).....	10
Great South & Canterbury Basins (15GSC-R1).....	11
Pegasus and East Coast Basins (15PEG-R1).....	12
Onshore Taranaki Basin (15TAR-R2).....	13
Onshore West Coast Basin (15WEC-R1 & 15WEC-R2).....	14

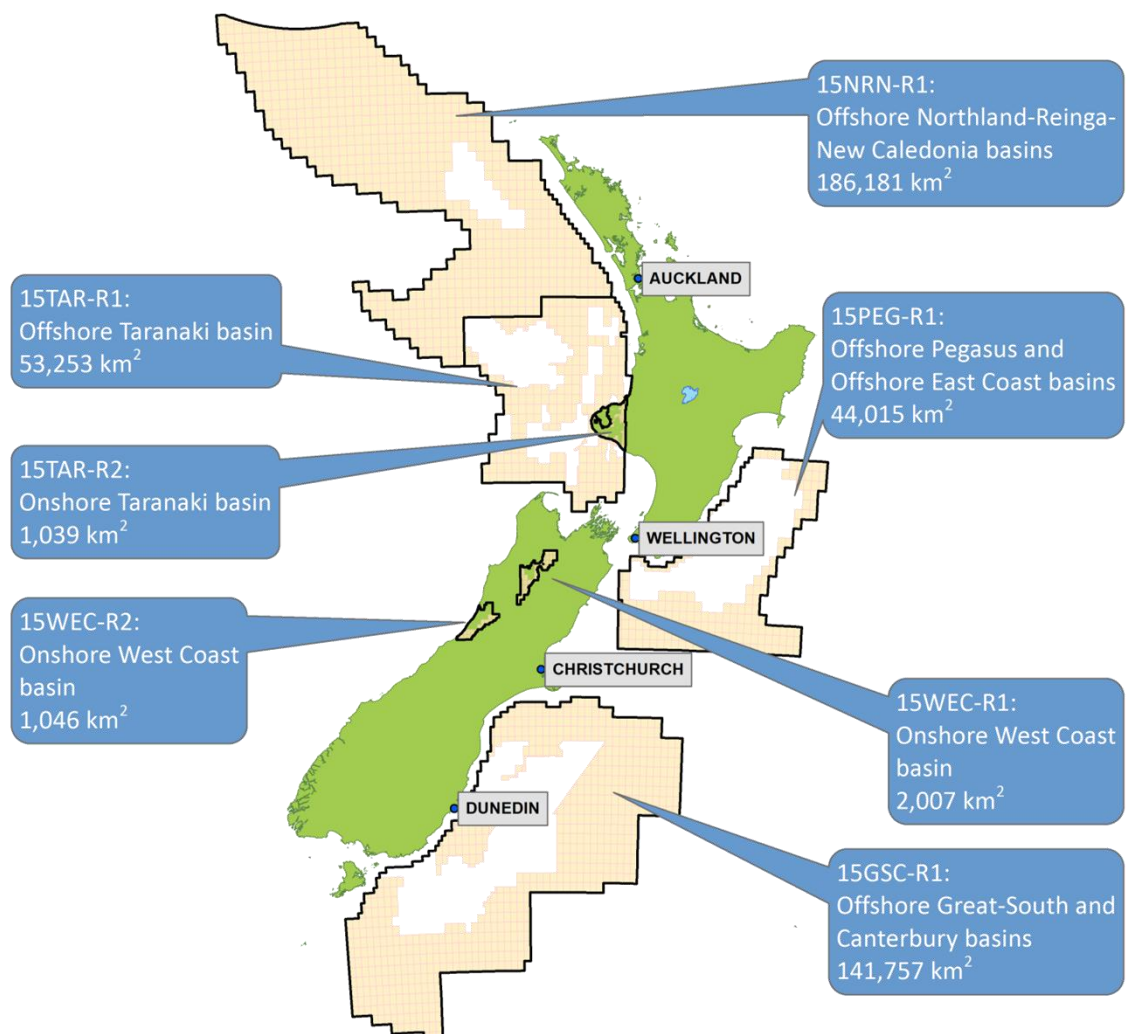
What areas are included in Block Offer 2015?

Block Offer 2015 includes three onshore areas and four offshore areas.

One onshore area is in Taranaki, and two are on the West Coast. The offshore areas are in Taranaki, Northland-Reinga, Pegasus, and Great South-Canterbury. The total acreage for Block Offer 2015 is about 429,298 square kilometres and will appeal to a wide range of bidders, as the proposal includes both well-explored areas and frontier regions.

Maps of each area are included with this pack. For more information see <http://www.nzpam.govt.nz/cms/investors/permits/block-offers/block-offer-2015>

Bidding for the tender will close at 5pm (New Zealand time) on 30 September 2015. We intend to grant permits in December 2015. All permits will commence on 1 April 2016.



How are the areas in the Block Offer 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 does 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 was consulted for Block Offer 2015?

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.

Between 19 November 2014 and 9 February 2015, NZP&M consulted with 189 affected iwi, hapū and 54 local authorities on the proposal for Block Offer 2015.

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.

See www.nzpam.govt.nz/cms/iwi-communities/finding-petroleum-minerals/block-offer-2015-consultation for more information on the consultation for Block Offer 2015. 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 under the Resource Management Act, or if they need marine consent from the Environmental Protection Authority.

What changes were made following consultation?

Following consultation, the Minister has made the following changes:

- 1. The size of the release area overlapping in Offshore Taranaki has been reduced*

The Minister has reviewed advice on the prospectivity of and commercial interest in the offshore Taranaki release area (15STAR-R1). The final area put for tender has been reduced, removing some parts to the north overlapping territorial waters.

The total release area is now 53,253 square kilometres (compared with 61,485 square kilometres in the original proposal).

- 2. Permits granted in the Offshore Taranaki release area must comply with the Code of Conduct for Seismic Surveying*

The Minister has determined that any permit granted for Block Offer 2015 that overlaps with the North Island West Coast Marine Mammal Sanctuary will require the permit holder to follow the Department of Conservation's 2013 Code of Conduct for Minimising Acoustic Disturbance to Marine Mammals from Seismic Surveying Operations.

3. Permit requirements for Onshore Taranaki

Permits granted for Block Offer 2015 in onshore Taranaki will require the permit holder to give Te Rūnanga o Ngāti Ruanui 20 days' written notice of any petroleum exploration activity to be undertaken within 200m of the Tangahoe, Patea and Whenuakura rivers.

See www.nzpam.govt.nz/cms/iwi-communities/finding-petroleum-minerals/block-offer-2015-consultation for more information on the consultation for Block Offer 2015.

Why does the Offshore Taranaki Release Area overlap with the North Island West Coast Marine Mammal Sanctuary?

Offshore Release Area 15TAR-R1 includes a 2,354 square kilometre overlap with the North Island West Coast Marine Mammal Sanctuary.

The overlap is roughly 1,006 square kilometres smaller than it was for Block Offer 2014.

Permits granted within this release area that overlap the sanctuary will include conditions requiring the permit holder to follow the Department of Conservation's 2013 Code of Conduct for Minimising Acoustic Disturbance to Marine Mammals from Seismic Surveying Operations. This was developed by the Department of Conservation and the Petroleum Exploration & Production Association of New Zealand (PEPANZ).

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 associated with 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 has been producing gas commercially since 2006 and produces around half of New Zealand's natural gas.

Why do some of the permitted areas for Block Offer 2015 overlap with conservation areas (including forest parks)?

Onshore West Coast Release Area 15WEC-R1 overlaps with Victoria Forest Park and Mount Richmond Forest Park.

- The Victoria Forest Park overlap is 417.2 square kilometres
- The Mount Richmond Forest Park overlap is 91.2 square kilometres

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

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.

Note that exploration activity is not allowed in a number of high value conservation areas 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.

Does the release of Block Offer 2015 mean all the areas in the tender will eventually be drilled for oil?

The total release area for Block Offer 2015 is over 429,000 square kilometres. The area that we release is much larger than the area that will eventually get permitted (and if no bids meet our criteria there may be no permits granted at all).

The proposed release areas are large, sometimes covering more than one exploration basin. Companies bid for the blocks in a release area they consider most attractive. NZP&M then reviews their bids and then grants permits. Throughout each of these steps, the area involved progressively gets smaller until we arrive at the final permit area.

It is also important to recognise that only a small portion of the permit will be affected by any exploration activity. Drilling is expensive and time-consuming, and operators will only drill where their analysis and research suggests they have the best chance of finding oil or gas.

What is the process for bidding on a Block Offer?

The Government has opened the tender for Block Offer 2015 with an *Invitation for Bids*.

The invitation lists specific areas, made up of blocks that 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 will close on 30 September 2015.

More information on the Block Offer 2015 Invitation for Bids is available at www.nzpam.govt.nz/cms/investors/permits/block-offers/block-offer-2015

How will bids be 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.

How long will permits under Block Offer 2015 be granted for?

Permits granted in Block Offer 2015 will be granted for 10 to 15 years.

Does the Government expect to see lower interest in the Block Offer, given the international impact of low oil prices?

Individual companies factor in a range of considerations when they look at when, how and where to invest.

It is possible that the downturn in commodity prices may be a factor for some companies, but we will continue to seek investment from experienced and capable operators.

The opportunity New Zealand offers investors is compelling, with attractive fiscal terms and competitive costs for acreage acquisition. The minimum work programme commitments for frontier basins are attractive, and we have active marketing that allows investors to farm-in and out with no penalties or fees for surrendering a permit.

Successive Block Offers have shown that operators looking for permits see a mix of mature and frontier that New Zealand has to offer. Typically these companies focus on commodity prices ten years, if not decades, in the future. So while weaker commodity prices may affect short-term strategies, it does not follow that they will affect long term exploration strategies.

Is the Government committed to future Block Offers?

The Government is committed to the Block Offer approach, and it has successfully attracted new investors to New Zealand. We have proven the value of establishing a regular Block Offer cycle that offers predictability and certainty to the industry.

However there will always be opportunities to make small improvements. We have been running Block Offers for four years now and it is timely to evaluate if the process is working as effectively as possible, particularly compared to other jurisdictions. The government is planning to review the allocation model for petroleum exploration permits. This will be part of a broad evaluation of the wider permitting regime.

BACKGROUND ON BLOCK OFFERS

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](#)

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.

What will 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](#)

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 Ministry 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.
- Maritime New Zealand ensures operators have plans to manage waste and to respond to emergencies arising from an oil spill or leak. Maritime NZ 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 our guide on [responsibilities of local and central government in offshore exploration and production](#) and our [guide to government management of petroleum](#)

Block Offer 2015 Release Areas

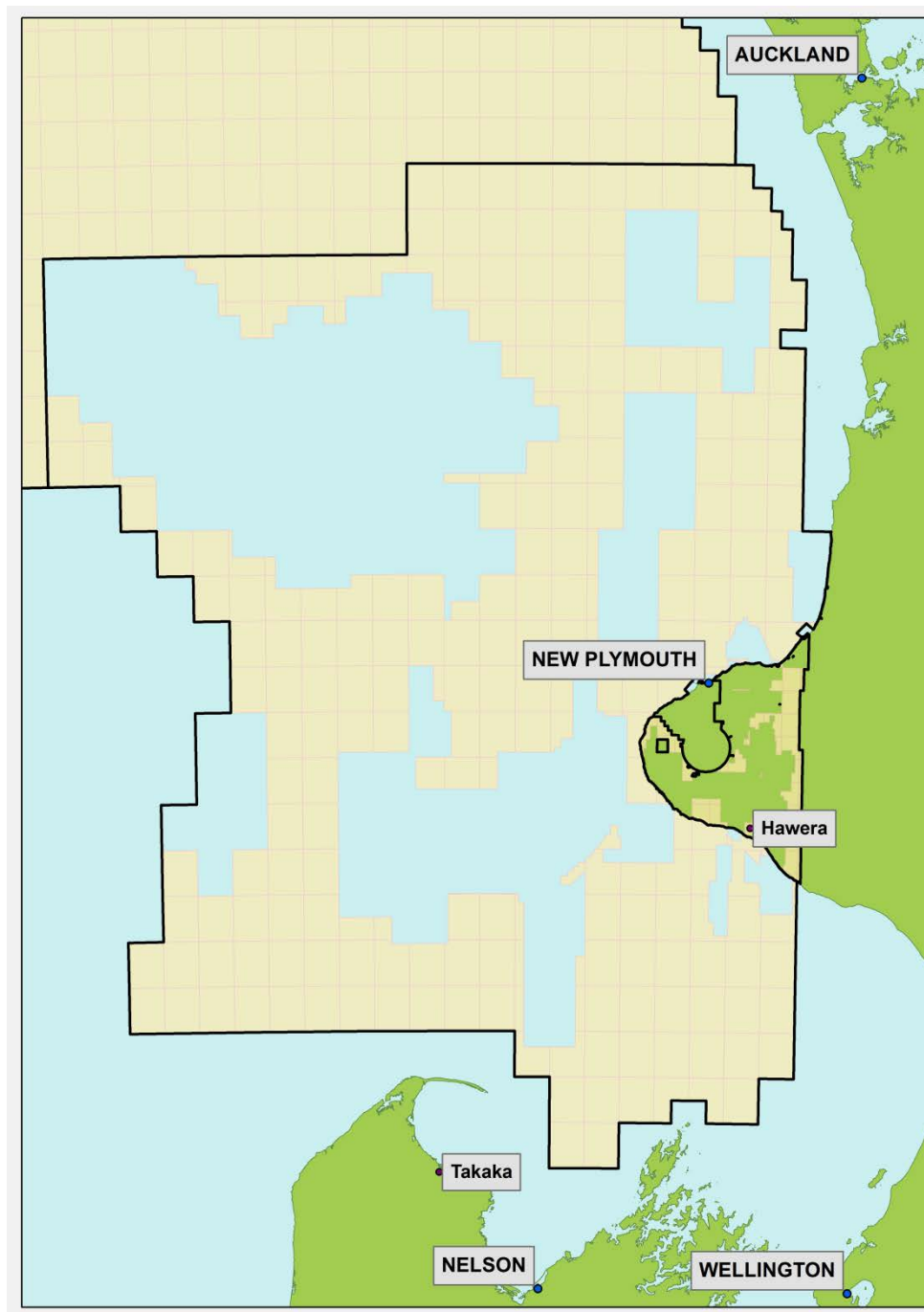
NORTHLAND- REINGA BASIN (15NRN-R1)





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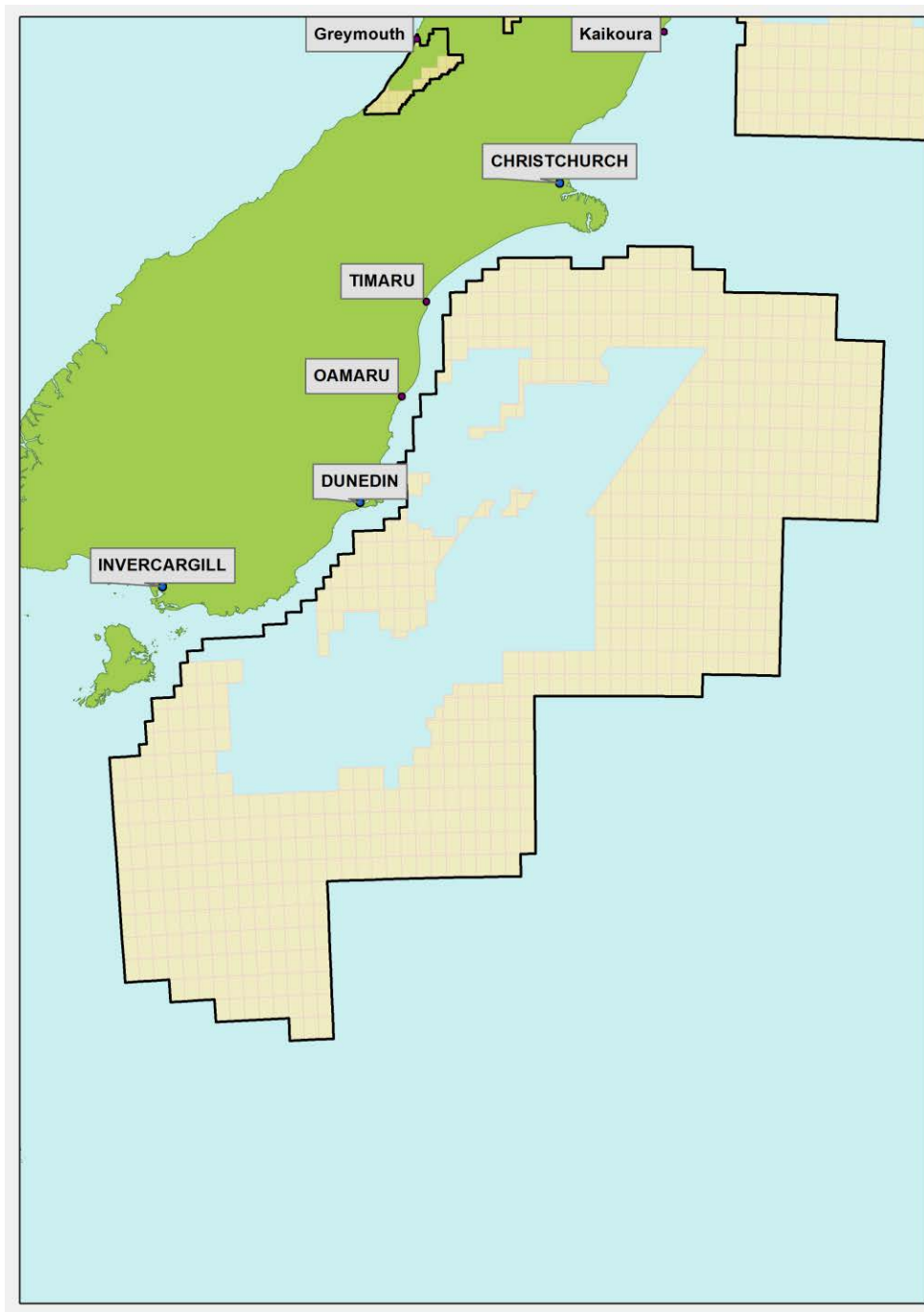
OFFSHORE TARANAKI BASIN (15STAR-R1)





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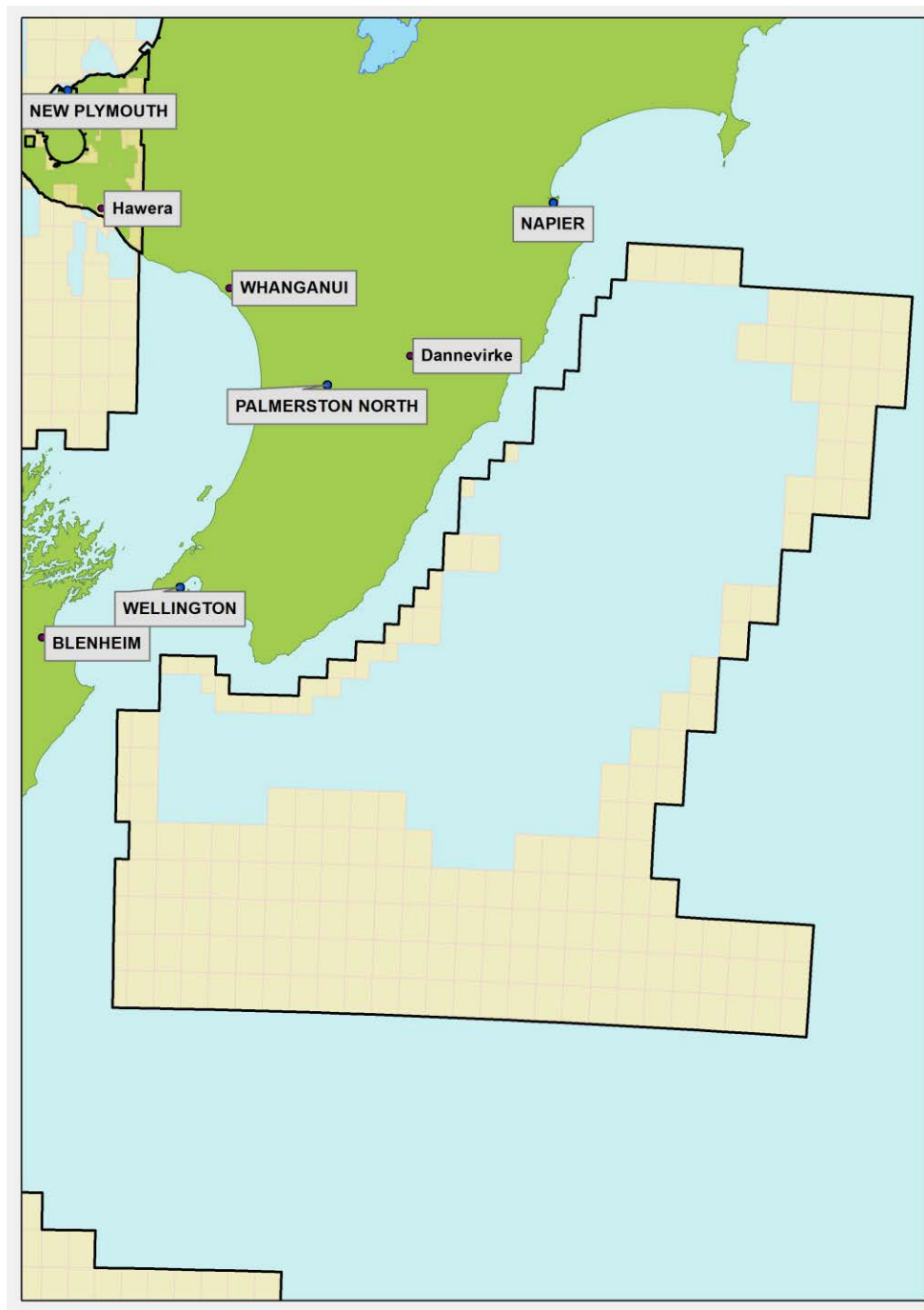
GREAT SOUTH & CANTERBURY BASINS (15GSC-R1)





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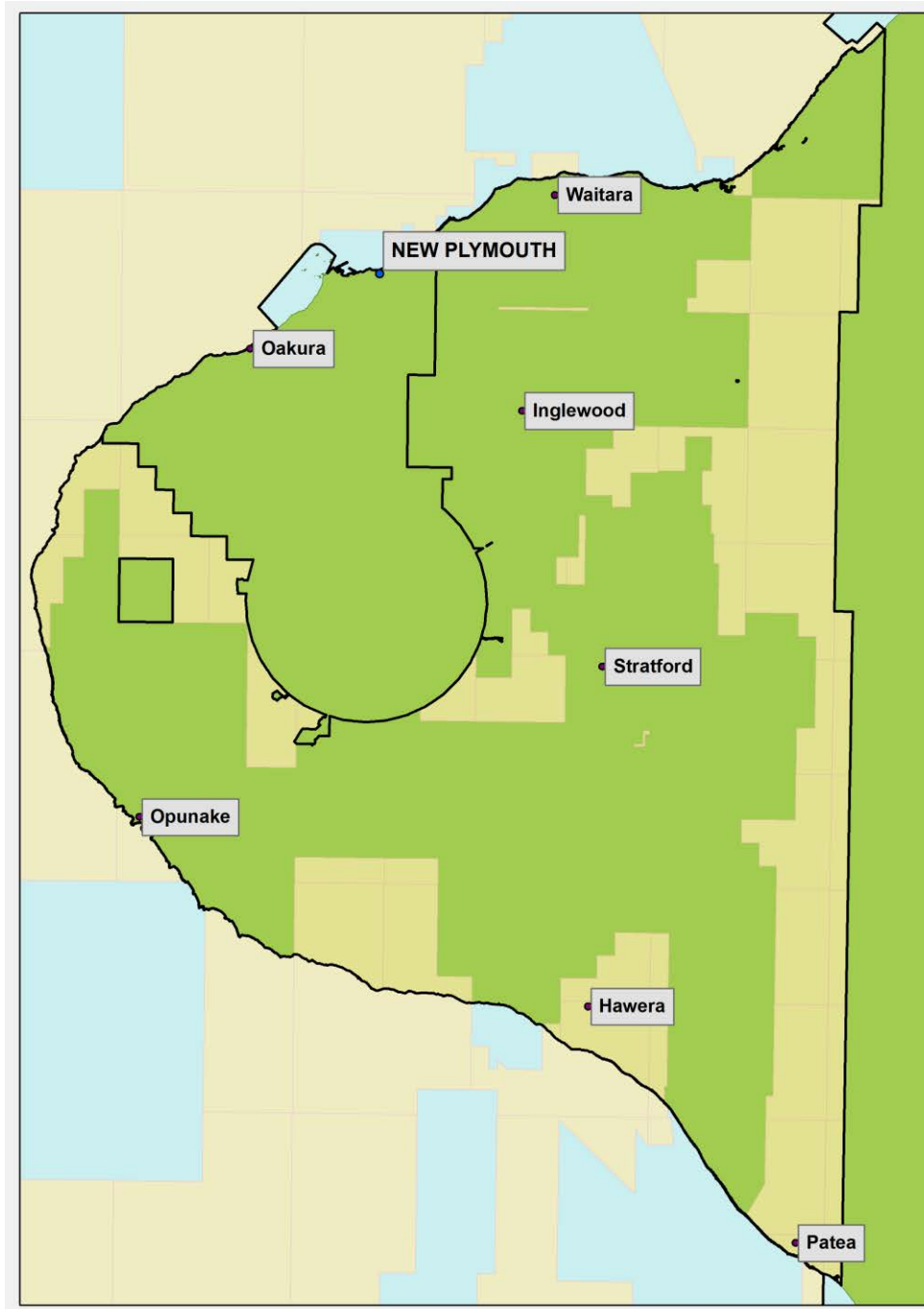
PEGASUS AND EAST COAST BASINS (15PEG-R1)





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ONSHORE TARANAKI BASIN (15STAR-R2)





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ONSHORE WEST COAST BASIN (15WEC-R1 & 15WEC-R2)

