



2019

NEW ZEALAND BLOCK OFFER

INVITATION FOR BIDS



NEW ZEALAND
PETROLEUM & MINERALS

New Zealand Government



MINISTRY OF BUSINESS,
INNOVATION & EMPLOYMENT
HĪKINA WHAKATUTUKI

New Zealand Government



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GLOSSARY

In this Invitation for Bids (IFB) the following words and phrases have the following meanings:

the Act means the Crown Minerals Act 1991

alternative offer means an alternative offer made by the Minister as described in clause 7.7 of the Petroleum Programme

auditor has the meaning given to it in Part 8.8

Bid means a Bid submitted pursuant to this IFB

Bid Area means one or more contiguous blocks that a Bidder identifies in a Bid as the proposed permit area

Bid participant means a person who is party to a multi-person Bid, or where it is a single party Bid, this term is synonymous with Bidder

Bidder means a person who submits a Bid and, in a multi-person Bid, includes each Bid participant

block means a block defined using a 5-minute graticular coordinate system according to NZGD2000 and may include fragments of such a block where the boundary abuts an existing permit, release area boundary or a geographic feature such as the coastline

capability assessment means the assessment of a Bidder or Top-Ranked Bidder described in Part 6.6(b) and Schedule 6

Closing Date means 4 November 2020

commit or surrender point means an obligation in a work programme to commit to an activity or apply to surrender the permit (these occur at the end of a stage of the work programme)

committed activity means an activity in a proposed work programme that a Bidder has firmly committed to undertaking if the permit is granted and which is scheduled to occur before a commit or surrender point

Competed Bid is a Bid for a Bid Area over which multiple Bids are received

Conditional PEP (Conditional Petroleum Exploration Permit) means a permit granted in accordance with section 29B of the Act for the purpose of exploring for conventional petroleum

contiguous (in relation to blocks or as part of a combination of blocks) means blocks that have a common boundary with another block in the combination, but no two blocks that are joined at only a single corner

contingent activity means an activity in a proposed work programme that is scheduled to occur after a commit or surrender point (and will become a committed activity if a commitment is made at that point)

conventional petroleum means petroleum as defined in the Act (excluding coal seam gas and gas hydrates)

HSE refers to health, safety and the environment (or health, safety and environmental depending on context)

IFB means this Invitation for Bids and includes all schedules in this IFB and any variations made to it in accordance with Part 8.5

Non-competed Bid is a Bid that is the only Bid for a Bid Area

NZGD2000 means the New Zealand Geodetic Datum 2000, the coordinate system for surveying, mapping and positioning in New Zealand

NZP&M means the Ministry of Business, Innovation and Employment (MBIE), in fulfilment of its responsibility to administer the allocation and management of rights to prospect, explore and mine for petroleum in New Zealand

PEP means petroleum exploration permit

Permit means any PEP granted as a result of this Block Offer

Petroleum Programme means the Minerals Programme for Petroleum 2013

proposed operator means the Bid participant identified in the Bid as the party responsible for the day-to-day management of activities under the permit

qualifying Bid check means the initial assessment of the Bid for compliance with the requirements of this IFB, as set out in Schedule 2

related company means any company with similar ownership or control to a Bidder. Examples include (but are not limited to) parent, subsidiary and sister companies, companies with similar ultimate beneficial ownership, and companies with one or more common directors.

release area means the areas identified in Schedule 1 within which a Bid Area may be identified

Top-Ranked Bidder(s) has the meaning set out in Part 6.6(a)(i)

work programme assessment means the assessment of the work programme proposed in a Bid

1. INTRODUCTION

- 1.1 New Zealand's Minister of Energy and Resources, the Hon Megan Woods (**the Minister**), invites Bids for petroleum exploration permits in the New Zealand Petroleum Exploration Permit Block Offer 2019 (**Block Offer 2019**).
- 1.2 The New Zealand Government is seeking to attract companies that have a demonstrated ability to explore, develop and produce petroleum responsibly.
- 1.3 This IFB sets out the blocks on offer, the process for making Bids, the information required to be submitted with a Bid, how Bids will be evaluated, and other information for Bidders. Block Offer 2019 is open for Bids until **4 November 2020 at 5.00pm** (New Zealand time).
- 1.4 Block Offer 2019 is administered by New Zealand Petroleum & Minerals (NZP&M), part of the Ministry of Business, Innovation and Employment.
- 1.5 Before preparing and submitting a Bid, Bidders should familiarise themselves with New Zealand's regulatory regime for the allocation and management of rights to prospect, explore and mine for petroleum contained primarily in the following:
- (a) the Crown Minerals Act 1991;
 - (b) the Crown Minerals (Petroleum) Regulations 2007;
 - (c) the Crown Minerals (Petroleum Fees) Regulations 2006;
 - (d) the Crown Minerals (Royalties for Petroleum) Regulations 2013; and
 - (e) the Minerals Programme for Petroleum 2013 (Petroleum Programme).
- These can be accessed at www.nzpam.govt.nz (the NZP&M website).
- 1.6 Bidders should also be familiar with other legislation that may apply to activities undertaken under a petroleum exploration permit, including:
- (a) the Resource Management Act 1991;
 - (b) the Health and Safety at Work Act 2015 (and regulations made under that Act dealing with health and safety in relation to petroleum exploration and extraction); and
 - (c) the Heritage New Zealand Pouhere Taonga Act 2014.
- 1.7 Bidders should also be aware that there are active minerals permits that overlap with some blocks on offer. For more information about where these minerals permits are located, please see the Minerals Permit Webmaps (<https://www.nzpam.govt.nz/maps-geoscience/minerals-webmaps>).
- 1.8 The area offered in Block Offer 2019 is identified by the map in Schedule 1.
- 1.9 Bids for Bid Areas can be for a single block or for a combination of blocks (which must be contiguous – see Part 4.4), which will together form the Bid Area.
- 1.10 There is no limit on the number of Bid Areas a Bidder may apply for. However, each Bid Area must be applied for (and will be treated) as a separate Bid and a separate application fee is payable in respect of each Bid Area.
- 1.11 The Minister may grant permits in Block Offer 2019 in accordance with sections 29A or 29B of the Act. Section 29A of the Act sets out (among other things) the matters that the Minister must be satisfied with before granting a permit. Section 29B of the Act enables the Minister to grant a Conditional PEP. The evaluation criteria applicable to all Bids are described in Part 6, and the attached Schedules.
- 1.12 Permits granted in Block Offer 2019 will have durations of 10 years (as specified in Schedule 7) based on the location of the permits. Permits will be subject to the relevant conditions set out in Schedule 7 and a work programme based on the Bid. The Minister will determine which of the work programme activities are 'key deliverables' and which are 'secondary deliverables' (as described in clause 7.9 of the Petroleum Programme).
- 1.13 The Minister expects that, following the grant of a permit, the permit holder will regularly engage with iwi and hapū whose rohe (tribal area) includes some or all of the area of the permit or who may be directly affected by petroleum exploration activities under the permit. That engagement must then be reported on by the permit holder as required by section 33C of the Act.

This legislation is available on the New Zealand Legislation website: www.legislation.govt.nz.

- 1.14 The engagement should address the potential impact of petroleum exploration activities on the rohe and, in particular, wāhi tapu (restricted places of cultural significance and importance), urupā (burial grounds), mahinga kai (food gathering areas) and waka tauranga (landing places of ancestral canoes). Permit holders must also comply with any statutory requirements applying to any sites of cultural importance to iwi and hapū within the permit area protected under legislation, including the Heritage New Zealand Pouhere Taonga Act 2014, the Resource Management Act 1991, the Conservation Act 1987 and any Treaty of Waitangi settlement legislation. Further information and assistance with iwi and hapū engagement is available through NZP&M.
- 1.15 Before granting a permit, the Minister must be satisfied that the applicant is likely to comply with relevant obligations under the Act or the regulations in respect of reporting. This includes that the applicant will provide all reports required by section 33C of the Act (iwi engagement reports).

2. BLOCK OFFER PROCESS AND TIMETABLE

BLOCK OFFER STAGE	DATE	PROCESS
Block Offer 2019 opens	27 July 2020	IFB published on NZP&M website
Last date for questions	5.00pm (local time) on 14 October 2020	As set out in Part 5.2 of this IFB
Last answers to questions posted on the NZP&M website	5.00pm (local time) on 21 October 2020	As set out in Part 5.5 of this IFB
Closing Date	5.00pm (local time) on 4 November 2020	Bids must be received by NZP&M by 5.00pm on the Closing Date
Assessment, alternative offers and public announcement of permit grants	Prior to 1 April 2021 or such other date as may be specified by the Minister	
Commencement date of permits granted in Block Offer 2019	1 April 2021 or such other date as may be specified by the Minister	

2.1 The timetable above is indicative only and the Minister may vary any of these dates (refer Parts 5.4 and 8.3(e)).

3. SUBMISSION OF BIDS

- 3.1 Block Offer 2019 is a staged work programme bidding process. Bids may be made in respect of one or more Bid Areas in accordance with this IFB. The Block Offer 2019 Permit Application Form is available at www.nzpam.govt.nz.
- 3.2 Bids must be submitted by email only, by 5pm (local time) on the Closing Date (4 November 2020), to blockoffer2019@mbie.govt.nz. Materials that are submitted in any other manner, whether digitally to any other electronic address, or in hard copy to any physical address, will not be received or assessed as a valid Bid.
- 3.3 Emails that are larger than 20MB in size will not be received. However, electronic Bid documents may be split and submitted as attachments to multiple emails if the number and content of emails pertaining to a single Bid is clearly indicated to NZP&M.
- 3.4 When submitted Bids are received, NZP&M will acknowledge this. It is the sole responsibility of prospective Bidders to ensure that Bids are received by NZP&M.
- 3.5 Bidders are encouraged to submit Bids well in advance of the Closing Date, in order to ensure that submitted Bids are received on time by NZP&M. NZP&M will not be held responsible for any situation (technological or otherwise) that prevents the timely and complete submission or receipt of Bids.
- 3.6 Each Bid must include (but is not limited to) the following:
- (a) a completed and signed permit application form (available at www.nzpam.govt.nz), signed by the Bidder;
 - (b) the information specified in Schedules 3 to 6 (refer to Schedule 1 for release area names and identifiers);
 - (c) a proposed work programme for the proposed permit that meets the minimum work programme requirements set out in Schedule 4;
 - (d) a clear indication of whether the Bid is to be assessed under section 29A or 29B of the Act; and
 - (e) evidence that the fee of NZ\$8337.50 (GST inclusive) per Bid Area has been paid by the Closing Date. The fee must be paid by direct payment to Westpac Banking Corporation Limited, Government Branch (**Block Offer Account**):

Account number: 03-0049-0001311-02

As reference for the payment please use:
'BO2019 – [applicant's name]'¹
- To note, Bidders are also expected to pay for all bank fees incurred for telegraphic transfers made from overseas. One bank fee is charged when the fee leaves the country of origin's bank and another fee is charged when it is received by a bank in New Zealand. As such, payments by telegraphic transfer should ensure that overseas bank charges are set to 'Ours' in order to have the bank fees paid at both ends.
- 3.7 Any Bid that does not materially comply with the terms of this IFB may not be accepted. If the Bid is not accepted the Bidder will be notified.

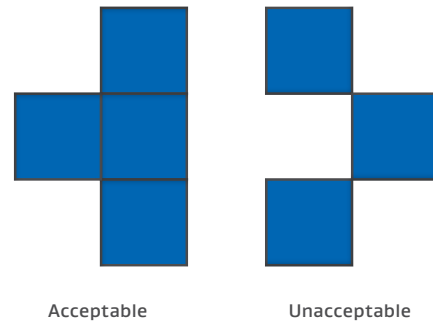
¹ Cheques will not be accepted. If they are tendered, the Bid will not be accepted and the cheques will be returned. Please note that NZP&M is unable to provide a receipt for payment.

4. NATURE OF BLOCKS

Bid Areas

- 4.1 Permits are offered in the release area identified in Schedule 1.
- 4.2 The graticular allocation system enables a Bidder to self-select a proposed permit area which may comprise one or more graticular blocks. To avoid the submission of an ambiguity, Bidders are recommended to refer to the block names as defined on NZP&M's online GIS database (Petroleum Permit Webmaps; <http://data.nzpam.govt.nz/permitwebmaps?commodity=petroleum>).
- 4.3 Bid Areas must comprise whole blocks even if a Bidder is only interested in part of the block.
- 4.4 If a Bid Area comprises multiple blocks, the blocks must be contiguous (that is, they must have a common boundary with at least one other block). A Bid Area that comprises blocks that connect only at a common corner will be invalid and will not be accepted.
- 4.5 Figure 1 below sets out an example of a Bid Area comprising multiple blocks and shows an acceptable and an unacceptable Bid Area.

Figure 1



- 4.6 A Bid Area cannot exceed 250 km². Any Bid for an area greater than 250 km² will be materially non-compliant and will consequently be rejected.
- 4.7 A Bid Area must be wholly contained within the 2019 Block Offer Release Area.
- 4.8 All Bids may be submitted under either Section 29A or Section 29B of the Act.
- 4.9 A maximum of one permit will be granted for any one block. No overlapping permits will be granted in Block Offer 2019.

5. COMMUNICATIONS

- 5.1 Bidders or potential Bidders must not contact, solicit (including seeking to influence or offer inducements of any kind) or approach any person at NZP&M (or within the New Zealand Government generally) in connection with Block Offer 2019. NZP&M reserves the right not to consider any Bid from a Bidder who breaches this Part.
- 5.2 We appreciate that potential Bidders may have questions relating to Block Offer 2019 which may be submitted by email to blockofferquestions@mbie.govt.nz prior to **5.00pm on 14 October 2020**. Prior to the Closing Date, potential Bidders must not contact or approach NZP&M in relation to Block Offer 2019 or the process under this IFB other than by email to the address above.
- 5.3 NZP&M is not obliged to (and reserves the right not to) answer any question at its absolute discretion. NZP&M will post any questions it decides to answer and the responses to those questions on the NZP&M website so that they can be viewed by all potential Bidders. The identity of the questioner will not be disclosed.
- 5.4 NZP&M may also publish variations (modifications) to the IFB on its website, or insert questions and answers of its own in order to provide clarifications. Where this is done, these will be identified as having come from NZP&M.
- 5.5 The last answers to questions from potential Bidders (or inserted by NZP&M) will be posted on the NZP&M website by **5.00pm on 21 October 2020**.
- 5.6 An answer to a question may be deemed to be part of this IFB, and where that is the case, the answer must be complied with by Bidders when making Bids. Where an answer is deemed to be part of the IFB, it will be clearly stated in the answer given.
- 5.7 Bidders and potential Bidders should regularly check the NZP&M website during the Block Offer 2019 process to ensure they are up-to-date with questions, answers and variations to the IFB made in accordance with Part 8.3 and any other information that may be posted by NZP&M about the Block Offer 2019 process.
- 5.8 NZP&M may communicate with Bidders after the Closing Date where that is considered necessary for the purposes of this IFB. This includes seeking clarification from Bidders in accordance with clause 7.7(1)(b) of the Petroleum Programme or inviting re-submission or requesting improvement of Bids and making alternative offers in accordance with Part 7.
- 5.9 Bidders must not provide any information related to their Bid to NZP&M after 5pm on the Closing Date unless that information has been requested by NZP&M. Any information tendered to NZP&M in breach of this Part will not be considered and will not be returned to the Bidder. NZP&M reserves the right not to consider any Bid from a Bidder who breaches this Part.
- 5.10 In accordance with clause 7.7(9) of the Petroleum Programme, where possible, all Bidders will be contacted on a confidential basis before any public statements are made about the outcome of the Block Offer. Details of unsuccessful Bidders and Bids will not be made public (unless required under the Official Information Act 1982 or otherwise required by law).
- 5.11 Where possible, if NZP&M proposes to recommend to the Minister that a Bidder be granted a Permit, the Bidder will be notified on a confidential basis of the Bid Area(s) in which they are being recommended to be granted a Permit. The Bidders will be given 48 hours from contact to notify NZP&M of their intention to decline the grant of any of the successful Bid Areas.
- 5.12 When contact is made under Part 5.11, NZP&M will confirm with the Bidder the time at which the 48-hour period ends. If no response is received from the Bidder within this 48-hour period, the Minister will proceed to determine the outcome of the Bid. If a Bidder declines grant of a successful Bid(s), the Bid Area may be allocated to another Bidder at a later stage within the same Block Offer.

6. OVERVIEW OF EVALUATION PROCESS

6.1 Bids will only be evaluated after the Closing Date.

6.2 Bids will be evaluated in accordance with the Act, the Petroleum Programme and this IFB.

Qualifying Bid check

6.3 All Bids must comply with the requirements of this IFB. In accordance with section 24(3) of the Act, the Minister shall not accept any Bids which do not comply in a material way with the requirements of this IFB.

6.4 Prior to evaluation, Bids will be subject to a qualifying Bid check, which is an initial assessment of the Bid for compliance with the requirements of this IFB. While the Minister may accept Bids, despite any minor irregularity or failure on the part of a Bidder to comply with the terms of this IFB, the Minister will not accept any Bids which do not comply in a material way with the requirements of this IFB.

6.5 More detail on the qualifying Bid check is set out in Schedule 2.

Evaluation

6.6 Bids that have passed the qualifying Bid check will be evaluated as follows:

(a) a work programme assessment, to assess:

(i) in the case of Competed Bids, which Bids are the top-ranked Bids (Bidders who make the top-ranked Bids are referred to below as the Top-Ranked Bidder(s)); and

(ii) in the case of all Non-competed Bids, and all top-ranked Competed Bids, whether the proposed work programme meets (or exceeds) the general or specific work programme requirements set out in Schedule 4 and otherwise satisfies the requirements of section 29A(2)(a)² of the Act;

(b) a capability assessment to assess whether the Bidder of a Non-competed Bid or the Top-Ranked Bidder(s) of Competed Bids (as appropriate) satisfies:

(i) the requirements set out in section 29A(2)(b) and (d) or section 29B(2) of the Act (as appropriate) for the grant of a permit; and

(ii) the requirements set out in section 29A(2)(c)² of the Act; and

(c) any other relevant factors.

6.7 For guidance, an overview process diagram of the qualifying Bid check and evaluation process is set out in Figure 2.

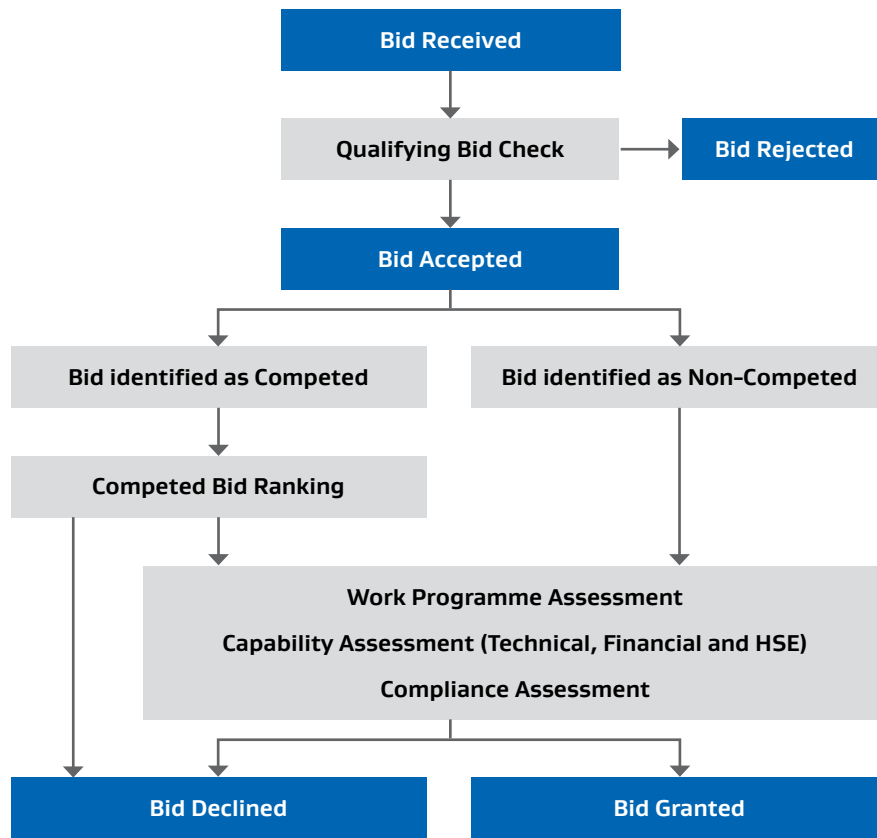
6.8 Detailed evaluation criteria for the work programme assessment are set out in Schedules 3 to 5. The criteria do not provide an exhaustive description of the work programme assessment.

6.9 Detailed evaluation criteria for the capability assessment are set out in Schedule 6.

6.10 Where one or more Top-Ranked bids are to be assessed in accordance with section 29A or 29B of the Act, and the Minister is satisfied that the requirements of section 29A or 29B as applicable are met, the Minister will normally give preference to the Bid or Bids made under section 29A. However, the Minister may grant the permit in respect of the Bid that in the Minister's opinion will best meet the purpose (section 1A) of the Act.

² This provision applies to both 29A and 29B applications.

Figure 2: Overview of qualifying Bid check and evaluation process



Note: This diagram provides a high-level overview of the assessment process. It includes the major steps in the process but is not an exhaustive representation of the process. It does not refer to, for example, the ability of the Minister to seek clarification from Bidders (see Part 5.8) or the alternative offer process (see Part 7). Both of these steps can occur at any point during the assessment process.

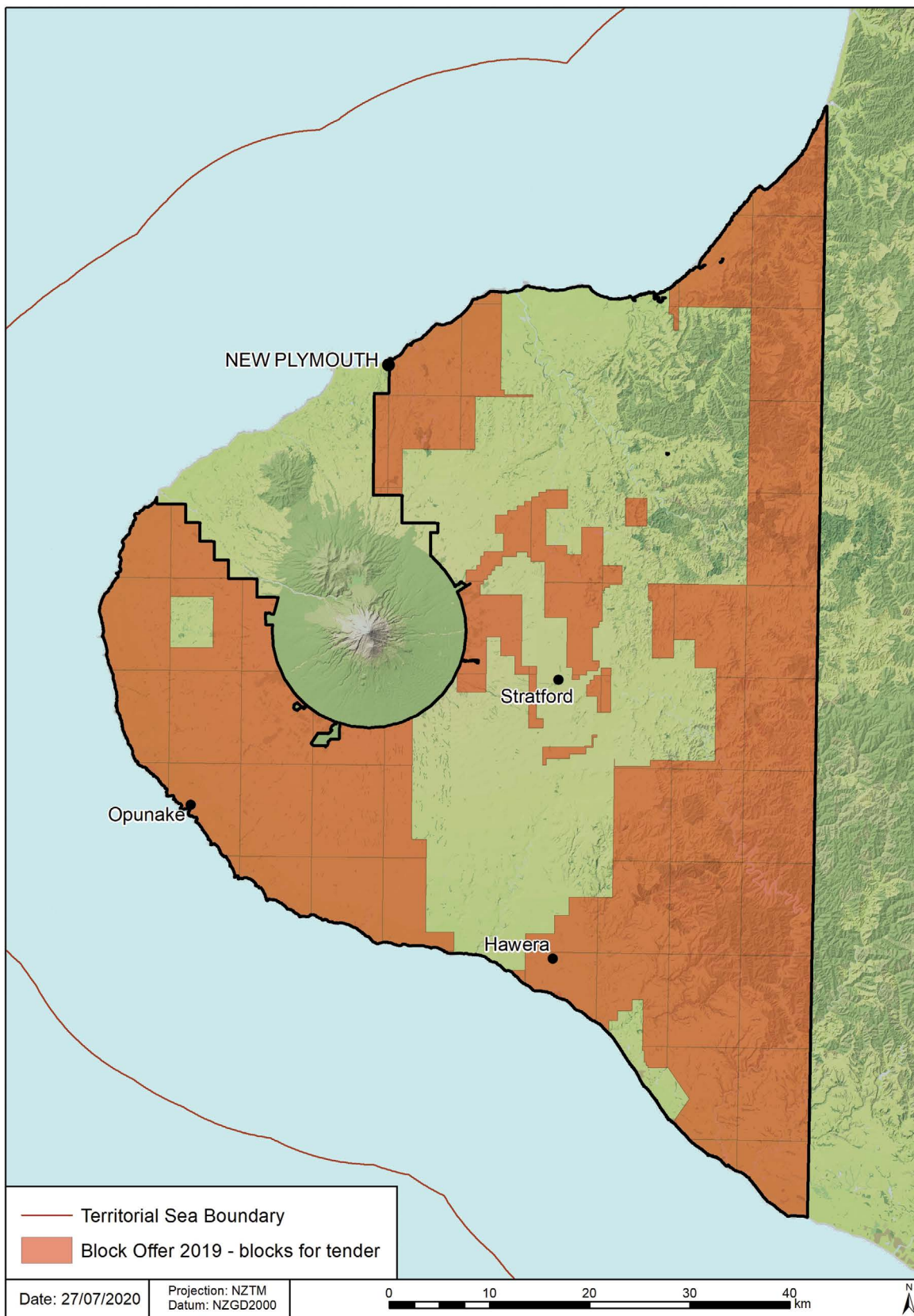
7. ALTERNATIVE OFFERS AND REVISION OF BIDS

- 7.1 Clause 7.7 of the Petroleum Programme outlines various situations where the Minister may invite revisions to Bids and request additional information.
- 7.2 The Minister may (but is under no obligation to) make an alternative offer to a Bidder in the circumstances described in clause 7.7 of the Petroleum Programme, including (without limitation) as follows:
- (a) where, following an assessment of Bids, the Minister wishes to offer a Bidder part, but not all, of the area the Bidder applied for; or
 - (b) where the Minister considers the Bidders of the two top-ranked Bids for an area may wish to consider re-submitting a joint Bid.
- 7.3 Where an alternative offer is made in accordance with Part 7.2, the Minister will propose a revised work programme that meets the minimum work programme requirements and does not comprise materially less work (proportionate to the area offered) or a more extended timeframe than that proposed as part of the Bid.
- 7.4 Alternative offers must be accepted by the Bidder no later than the time and date specified in the alternative offer, otherwise the offer will lapse.
- 7.5 Should the Bidder decline an alternative offer made in accordance with Part 7.2 or allow it to lapse, the Minister may (but is under no obligation to) offer the relevant area to the next highest ranking Bidder (if any) for the relevant area.
- 7.6 Where the Bidders decline to submit a joint Bid pursuant to Part 7.2(b), Bids will be ranked and determined in accordance with this IFB.
- 7.7 Where there is only one acceptable work programme bid for a Bid Area and:
- (a) the Bid is to be assessed in accordance with section 29A of the Act; and
 - (b) the Minister is not satisfied that the Bidder meets the requirements of section 29A,
- then the Minister may (but is under no obligation to) invite the Bidder to amend their Bid to state that it is to be considered in accordance with section 29B of the Act. If the Bid is so amended, it will be considered under section 29B of the Act.

8. GENERAL CONDITIONS

- 8.1 This IFB is a notice for the purposes of section 24 of the Act.
- 8.2 Block Offer 2019, including this IFB and all Bids, processes and permits arising from Block Offer 2019, is subject to and must comply with the Act and the Petroleum Programme.
- 8.3 The Minister reserves the right to:
- vary this IFB at any stage prior to the Closing Date (in which case the varied IFB or a notice setting out the particular variation will be posted on the NZP&M website);
 - withdraw this IFB (or any part of it) at any time (including after the Closing Date);
 - accept a Bid despite any minor irregularity or failure on the part of a Bidder to comply with the terms of this IFB;
 - reject a Bid which, in the Minister's opinion, includes information that is false or misleading, or contains material errors or inaccuracies or data that the Bidder may not be entitled to;
 - change any indicative date (the date change will be posted on the NZP&M website);
 - grant a permit to a Bidder that does not have the highest ranked work programme;
 - not grant a permit, even where there are one or more compliant Bids over the area; and
 - not give any reason for the rejection or decline of any Bid.
- 8.4 In accordance with section 24(3) of the Act the Minister shall not accept any Bids which do not comply in a material way with the requirements of this IFB.
- 8.5 Any variations to this IFB will become part of this IFB upon the posting of the variation on the NZP&M website.
- 8.6 Application fees are non-refundable (whether or not the Bid complies with this IFB or has been rejected or accepted or whether a Bid was submitted or received).
- 8.7 A Bidder that does not specify on the Block Offer 2019 Application Form that it is applying for a Conditional PEP under section 29B of the Act will be assessed under section 29A of the Act. A Bidder who is so assessed or has applied under section 29A and fails to satisfy the requirements for the grant of a permit under section 29A will not be assessed for, or be granted, a Conditional PEP under section 29B of the Act, except in the circumstances described in Part 7.7.
- 8.8 NZP&M may engage an independent third party (**auditor**) to assist with the work programme assessment and/or the financial, technical and/or HSE capability assessment of a Bidder (or any Bid participant). By submitting a Bid, the Bidder authorises the release of relevant information submitted in the Bid to the auditor. In the event of a conflict of interest, an alternative auditor may be appointed by NZP&M. NZP&M may request further information from the Bidder to complete the work programme assessment and/or the financial and/or health and safety and/or environmental capability assessment.
- 8.9 NZP&M may seek further information or verification from third parties and regulatory agencies (e.g. WorkSafe New Zealand) to assist with the financial, technical and HSE capability assessment of the proposed operator. By submitting a Bid, the Bidder authorises NZP&M to contact any regulator of petroleum activities in the jurisdictions in which the proposed operator currently operates or has previously operated. Bidders should note that the Bidder's consent is not required for the sharing of information with regulatory agencies (as defined in the Act) in New Zealand in accordance with section 29A(3) or under section 90E of the Act.
- 8.10 By submitting a Bid, the Bidder warrants and represents that:
- all the information contained in the Bid is complete and accurate in all material respects; and
 - the use by NZP&M, including by third parties authorised by NZP&M, of the information contained in the Bid for the purposes of evaluating the Bid (or for further evaluating New Zealand's petroleum resources), will not breach any intellectual property rights held by the Bidder or any third party and the Bidder indemnifies NZP&M for any loss or damage (including legal costs) resulting from any claim against NZP&M for breach of any intellectual property rights.
- 8.11 Bids will become the property of NZP&M on receipt and will not be returned to the Bidder.
- 8.12 NZP&M recognises that information provided in a Bid will often be highly commercially sensitive. NZP&M will treat information contained in a Bid as confidential and will not disclose the information unless it is required to do so under the Act (refer Part 8.9) or the Official Information Act 1982, or is otherwise required by law to do so, or where the information is already in the public domain.
- 8.13 Neither this IFB nor the IFB process creates any contractual, tortious (including in negligence), equitable or other obligation on NZP&M (or the Crown more generally) or its employees, contractors, advisers or agents, to any Bidder or potential Bidder or any other person. Nor do they give rise to any right enforceable by a Bidder or potential Bidder or any other person against NZP&M or the Crown.
- 8.14 This IFB is governed by and shall be construed in accordance with New Zealand law and each Bidder and potential Bidder agrees to submit to the exclusive jurisdiction of the New Zealand courts.

SCHEDULE 1: MAP



The Block Offer 2019 Release Area

SCHEDULE 2: QUALIFYING BID CHECK

1. OVERVIEW

1.1 Prior to substantive evaluation, all Bids will be subject to a **qualifying Bid check** in which they will be checked for non-compliance against this IFB. While the Minister may accept Bids despite any minor irregularity or failure on the part of a Bidder to comply with the terms of this IFB, the Minister will not accept any Bids which do not materially comply with the requirements of this IFB. Bids will only be further evaluated if they pass the qualifying Bid check.

2. QUALIFYING BID CHECK FOR MATERIAL COMPLIANCE

2.1 All Bids must comply with the requirements of the Act, the Petroleum Programme and this IFB. In accordance with section 24(3) of the Act, the Minister shall not accept any Bids which do not comply in a material way with the requirements of the IFB.

2.2 Bids may be accepted despite any minor irregularity or failure on the part of a Bidder to comply with the terms of this IFB.

2.3 Bids that do not comply with the requirements of this IFB in a material way will not be accepted or further evaluated. Material non-compliance includes, but is not limited to:

- (a) Bids containing work programmes that do not meet the relevant specific minimum work programme requirements stated in paragraph 2 of Schedule 4; and
- (b) Bids that do not provide sufficient information (to the Minister's satisfaction) to enable an assessment of the Bid or Bidder to be undertaken in accordance with this IFB.

3. COMMUNICATION

3.1 Bidders will be informed as soon as practicable if their Bid is rejected as a result of the qualifying Bid check.

SCHEDULE 3: WORK PROGRAMME ASSESSMENT

1. GENERAL

- 1.1 A Bid Area may contain:
- blocks that are all non-competed (this is a Non-competed Bid);
 - blocks that are all competed (this is a Competed Bid); or
 - a combination of non-competed and competed blocks (this will be treated as a Competed Bid).

2. NON-COMPETED BIDS

- 2.1 A Non-competed Bid, as described in paragraph 1.1(a) above, must meet (and may exceed) the general and specific minimum work programme requirements set out in Schedule 4, and must otherwise satisfy the requirements of section 29A(2)(a) of the Act (work programme assessment).
- 2.2 If a Non-competed Bid meets these requirements, the Bid will progress to the capability assessment stage.

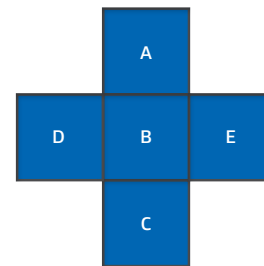
3. COMPETED BIDS

- 3.1 Competed Bids will be ranked in accordance with the results of work programme marking.
- 3.2 Work programme marking will be performed according to the work programme marks scheme detailed in Schedule 5.
- 3.3 Any Bid(s) that are deemed Top-Ranked Bid(s) as a result of work programme marking will be assessed to determine whether the proposed work programme meets (or exceeds) the general and specific minimum work programme requirements set out in Schedule 4 and otherwise satisfies the requirements of section 29A(2)(a) of the Act.
- 3.4 If the top-ranked Bid(s) does/do not meet the requirements of Schedule 4 and section 29A(2)(a) of the Act, the next highest ranked Bid(s) will be assessed, and so forth until the highest ranked Bid(s) that also meets the requirements of Schedule 4 and section 29A(2)(a) of the Act is/are identified.
- 3.5 The top-ranked Bid(s) will be subject to a capability assessment of the Bidder(s).

- 3.6 In accordance with clause 7.6(5) and 7.6(6) of the Petroleum Programme, the capability assessment may result in changes to the ranking of top-ranked Bids (including the rejection of top-ranked Bids, or a Section 29A Bid being ranked above a Section 29B Bid, or a Bid that will best meet the purpose of the Act being deemed the highest ranked Bid).
- 3.7 The marks scheme reflects the factors set out in clause 7.6 of the Petroleum Programme. Assessment of Competed Bids will be subject to any considerations under clause 7.7 of the Petroleum Programme.

Example: Competed Bids

In the figure below, Bidder 1 bids for a Bid Area over blocks A, B & C, and Bidder 2 bids for a Bid Area over blocks D, B & E.



This example may result in the following assessment:

- Bidder 1 is successful on all the blocks they bid for and is granted a Permit over its Bid Area (A, B & C) as Bid.
- Bidder 2 has been unsuccessful in their Bid. The Minister may (but is under no obligation to) make an alternative offer in accordance with Part 7 to Bidder 2 over blocks D and/or E. As these blocks are non-contiguous, if both are offered, they will be offered as two separate Permits, each with its own work programme (which must each meet the minimum work programme requirements).

Non-competed blocks within a Bid Area

- 3.8 For a Competed Bid comprising a combination of non-competed and competed blocks as described in paragraph 1.1(c) above, the non-competed blocks will not be scored.

Competed blocks within a Bid Area

- 3.9 For a Competed Bid as described in paragraph 1.1(b) above, or competed blocks within a Competed Bid as described in paragraph 1.1(c) above, the work programme is scored against the marks scheme set out in Schedule 5 in respect of each competed block.

SCHEDULE 4: MINIMUM WORK PROGRAMME REQUIREMENTS

1. GENERAL

- 1.1 As stated in Part 6.3 and Schedule 2 of this IFB, all Bids must comply with the requirements of this IFB. In accordance with section 24(3) of the Act, the Minister shall not accept any Bids which do not comply in a material way with the requirements of the IFB.
- 1.2 The proposed minimum work programme must be consistent with the purpose of the Act, the purpose of the permit and good industry practice in respect of the proposed activities; in particular it must:
- (a) be presented in sufficient detail in the Bid to satisfy the Minister for the purposes of section 29A(2)(a) of the Act;
 - (b) include sufficient and appropriate geochemical, geological and geophysical surveys and studies, including seismic reprocessing, to sensibly enable a drilling commitment decision to be made by the requisite time;
 - (c) be for a PEP and propose the exploration of petroleum, including 'tight' resources and shale oil and shale gas, but not coal seam gas (coalbed methane);
 - (d) reflect the Bidder's demonstrated technical understanding of the petroleum potential of the Bid Area applied for;
 - (e) be a timely, comprehensive plan to explore potential petroleum resources within the Bid Area (including each of the component blocks applied for);
 - (f) be as realistic as possible (particularly in relation to proposed seismic data acquisition and well drilling dates) and have taken into account:
 - (i) consent requirements of other regulatory and consent agencies (and the time required to obtain those consents) and any necessary land access arrangements,
 - (ii) seismic contractor availability and volume of seismic data to be acquired and processed,
 - (iii) drilling rig mobilisation times and availability, and
 - (iv) favourable weather windows (seasons) for the activities proposed; and
 - (g) in the Minister's opinion, be likely to identify the relevant petroleum systems and resources of interest, and, once identified, evaluate the feasibility of mining such resources within technical and economic constraints, within the duration of the proposed permit.
- 1.3 The proposed work programme in a Bid may provide for various options. Each option must still result in a work programme that meets the minimum requirements set out in this schedule. Marking will be based on the proposed work programme option of lowest value.
- 1.4 The proposed work programme must:
- (a) include timing for the proposed activity expressed as a number of months from the permit commencement date (e.g. 48 months from **1 April 2021**);
 - (b) clearly identify **committed activities** and **contingent activities** by identifying **commit or surrender points** (stating the timing, expressed as a number of months from the permit commencement date, that a decision will be made to commit to the contingent activity or apply to surrender the permit) together with an explanation of the reasoning behind any contingency;
 - (c) identify, for each activity in the work programme, whether it is proposed to be a **key deliverable** or a **secondary deliverable** as described in clause 7.9 of the Petroleum Programme (the final determination will be made by the Minister). The Minister has determined that for Block Offer 2019, the following work programme activities (without limitation) will be **key deliverables**:
 - (i) seismic data acquisition activities,
 - (ii) exploration well drilling activities,
 - (iii) commit or surrender points, and
 - (iv) partial relinquishment obligations;
 - (d) include a **key deliverable** (other than a commit or surrender point or relinquishment obligation) as an activity within each stage; and
 - (e) provide a quantified spatial distribution of work programme elements within each of the blocks applied for as part of the Bid Area.
- 1.5 Where the proposed work programme includes work that is already required by another permit (other than held by a speculative prospector) granted under the Act, it will not be counted in the scoring of any Competed Bid.
- 1.6 Where the proposed work programme includes seismic reprocessing or acquisition, the quantity of work specified must reflect the minimum line km or square km proposed to be reprocessed or acquired within the Bid Area.
- 1.7 Similarly, where the proposed work programme includes any other geophysical or geochemical surveying, the proposed work programme must quantify the amount of work proposed to be undertaken within the Bid Area.

2. SPECIFIC

- 2.1 Bids within the Block Offer 2019 Release Area must include the following specific requirements in the minimum work programme:

BLOCK OFFER 2019 (10-YEAR PERMIT)	
Timeframe from commencement date	Activity (all key deliverables)
Within 36 months	Commit or surrender point (for drilling by 48 months)
Within 48 months	Relinquish 50% of original permit area ^{3,4}
Within 48 months	Drill an exploration well to an approved objective and/or depth
Within 72 months	Commit or surrender point (for drilling by 84 months)
Within 84 months	Relinquish 25% of original permit area ⁴
Within 84 months	Drill an exploration well to an approved objective and/or depth
Within 93 months	Propose a work programme for the remainder of the permit's duration to be agreed by the Chief Executive
Within 96 months	Commit to the ongoing work programme or surrender the permit
Within 120 months	A work programme to be agreed to by the Chief Executive

- 2.2 Material non-compliance includes where a Bid contains a minimum work programme that does not meet the relevant specific requirements tabulated above.
- 2.3 Omission of any relevant specific minimum work programme requirement (accidental or otherwise) is counted as material non-compliance and will result in Bid rejection.

³ Except where the original permit area is < 100 km², then relinquish 25%

⁴ Except where the original permit area is < 10 km², then relinquish 10%

SCHEDULE 5: WORK PROGRAMME SCORING AND MARKS SCHEME

1. GENERAL

- 1.1 In accordance with the Petroleum Programme (clauses 7.6(1) to 7.6(4)), Competed Bids will be scored and ranked according to the Minister's view of the potential of the proposed work to make a discovery in a timely manner and its information-gathering value. This considers credibility through demonstrated geotechnical understanding of the area and the timing and appropriateness of the Bidder's approach to working the area. It also factors in the timing of a commit or surrender point for drilling and whether activities (ranked according to information-gathering value) are committed or contingent.
- 1.2 Marks for committed activities will be distributed across blocks, depending on where the proposed work is focused. Bidders should note that contingent activities are only scored as part of the overall proposed work programme logic/credibility consideration.
- 1.3 Only seismic data or reprocessed seismic data that lies within a Bid's area will be counted in the scoring of any Competed Bid. If a permit is granted in response to a Bid, seismic data acquisition or reprocessing commitments proposed under the work programme can be fulfilled through the respective acquisition or reprocessing of multi-client data, but only if such data is respectively acquired or reprocessed by the multi-client provider after the Closing Date of this Block Offer tender.
- 1.4 Where Bidders fail to provide quantified spatial distribution of work programme obligations within each of the blocks applied for, the Minister will, at the Minister's discretion, distribute marks across blocks based on the information provided.
- 1.5 Where a Bid Area includes a competed block that is a fragment (due to an existing permit boundary, release area boundary or geographic feature), that block may be evaluated in conjunction with an adjacent block in the Bid Area.
- 1.6 Bidders should refer to the notes in the marking scheme below for further guidance on the work programme scoring and the information that should be provided in the Bid in order to enable assessment of the relevant matters.

2. MARKS SCHEME

- 2.1 Scoring is carried out in respect of each competed block contained within the Bid Area. Marks are allocated to the individual block except where indicated in the table below, in which case they are shared across more than one block within the Bid Area.

EVALUATION CRITERIA	SCORE	NOTES
TECHNICAL UNDERSTANDING		
<p>Relatively few marks will be given where prospectivity analysis (regional or specific) draws heavily on and does little more than re-state publically available interpretive opinion (e.g. information sourced from websites, previous permit relinquishment or six-monthly report extracts etc). Such publically available information is expected to have been researched as part of the Bid preparation and only a short précis is needed to provide context or foundation for original work performed by or on behalf of the Bidder and which should be the focus of material presented in the Bid. Bidders must identify in the Bid (with sources referenced) what is non-original and what is original work.</p>		
1	Geoscientific database used	
1.1	Well data	0–10
1.2	Seismic (2D, 3D, reprocessing)	0–80
1.3	Other data (eg gravity/magnetics, electromagnetics, etc.)	0–20
1.4	Data reports	0–10
<p>Marks will be awarded for demonstrated inclusion and use of high quality relevant data sets as input for studies performed and understanding generated as part of the Bid preparation. Data from outside the Bid Area may be factored into the marking where this provides important relevant regional or specific prospectivity information. Bidders should provide details of existing geoscientific data and information (wells, proprietary and speculative seismic data/reprocessing and other third party information etc.) available and utilised in relation to each block within a Bid Area with details of how this has been processed and incorporated within studies performed by or on behalf of the Bidder in preparation of the Bid.</p>		
2	Prospectivity understanding and associated risks	
<p>Marking will focus on high quality, original, technical analysis performed as part of the Bid preparation. The Bid should clearly demonstrate understanding within the whole Bid Area (at the individual block level) and should, where possible, identify prospectivity contained within (plays, leads and prospects). The Bid should consider risk mitigation and develop the credible technical foundation necessary to underpin the proposed work programme. It is recognised that the level of detail at which this can be done may be limited by current data availability.</p>		
Overall block analysis (areally and stratigraphically) for each competed block contained within a Bid Area		
2.1	Well interpretation/ties	0–10
2.2	Stratigraphic interpretation	0–10
2.3	Structural interpretation	0–10
2.4	Seismic interpretation (time and depth)	0–20
2.5	Hydrocarbon system	0–15
2.6	Play fairway analysis	0–15
2.7	Other studies (eg advanced seismic – inversion, attributes etc.)	0–20
<p>The Bid should present a coherent story for the whole Bid Area applied for and, as far as data allows, should drill down to address prospectivity potential within each block (which will be marked when competed). This should be described and presented through appropriate use of figures, maps and cross-sections, etc, showing how the analysis applies to component blocks within the Bid Area. The focus should be on those aspects considered critical for demonstrating robust play fairways and specific prospectivity (see below) and how this risked understanding will help ensure delivery of successful exploration through the proposed work programme. Regional linkage, for areas outside the Bid Area, should be discussed and presented as considered relevant. Clear distinctions should be made between the Bidder's original work and non-original work (the former being favoured).</p>		

EVALUATION CRITERIA	SCORE	NOTES
TECHNICAL UNDERSTANDING (continued)		
2	Prospectivity understanding and associated risks (continued)	
Specific prospectivity identified		
2.8	Lead	0–20 (for each lead, shared across blocks)
2.9	Prospect	0–40 (for each prospect, shared across blocks)
<p>Marks will be available for demonstrated and risk-assessed (with a focus on original work) leads and prospects which are planned to be progressed and de-risked as part of the proposed work programme. Categorisation (whether lead or prospect) should be made by the Bidder but the final determination will be made by NZP&M. Relatively few marks will be awarded for highly speculative, unsupported or potentially non-commercial specific prospectivity. A series of stacked leads/prospects at a similar geological horizon or reservoir level which could be drilled by one well will normally be marked as one lead or prospect. The marks will normally⁵ be ascribed to the block containing the identified lead or prospect. Where these straddle block boundaries, marks will normally be apportioned to each block according to where identified prospectivity lies. It is therefore important that all leads and prospects are clearly presented on maps showing their spatial distribution within or across the Bid Area. Where possible, Bidders should include risked volumetric assessments for leads and prospects which demonstrate potential commercial materiality.</p>		

⁵ Clause 7.7 of the Petroleum Programme describes special considerations the Minister may factor into her evaluation when determining who to grant permits to. For example, the Minister may consider ascribing marks across blocks in a manner that helps preserve leads and prospects in order to minimise the future potential for unitisation. This may require the Minister to 'split' blocks.

EVALUATION CRITERIA	SCORE	NOTES
PROPOSED EXPLORATION ACTIVITIES		
3	Committed activities	
		A timeliness factor will be applied to marks given for activities in 3.1 to 3.4. Scaling of these marks (bearing in mind the need for realistically achievable timeframes) will be made according to the date proposed for completion of the activity as follows: x1 within 18 months of the commencement date; x0.9 within 30 months of the commencement date; x0.8 within 42 months of the commencement date; x0.6 between 42 months and the date by which the minimum work programme requires a well to be drilled.
3.1	Well drilling	0–200 (for each well, shared across blocks)
		Committed wells will be scored for their information-gathering value (normally depth and prospectivity) in relation to their potential to prove and discover potentially commercial oil and gas. Shallow stratigraphic wells will be rewarded relatively few marks. Multiple committed wells will be awarded very few (or no) marks if they duplicate the geological target of other committed wells in a way which would mean that a failure in one would effectively condemn the other. Committed wells should only be proposed on clearly identified and spatially well-defined prospects where no (or so little that it does not alter the commitment to drill) further technical analysis or data acquisition is required. Very few marks will be awarded where committed wells are proposed on poorly defined prospects. Marks will normally ⁵ be ascribed to the block containing the drill-ready prospect or, where a prospect straddles a block boundary, spread according to where the prospect lies. Bidders should clearly identify the number, timing, location and target depths of committed wells, noting which formations are to be evaluated (along hole and vertical).
3.2	3D seismic data acquisition	0–120
3.3	2D seismic data acquisition	0–60
		Committed seismic data acquisition ⁶ will be scored according to its coverage, quality and relevance. Bidders should identify the quantity, quality, areal distribution and timing of acquisition (line km, line spacing and km ²) and a discussion of how acquisition parameters best target plays/leads/prospects. A table and map should be included showing the amount and spatial distribution of the full fold seismic data in respect of each block applied for within the Bid Area.
3.4	Other surveys	0–50
		Other committed surveys (e.g. gravity, magnetic or electromagnetic logging) will be marked in a similar way to seismic surveys. The Bidder should clearly identify the quantity, timing and coverage for other new geophysical data acquisition and provide a table and map showing the amount and spatial distribution of the geophysical data in respect of each block within the Bid Area.

⁶ Seismic data acquisition/reprocessing commitments can be fulfilled through the licencing/purchasing of multi-client data provided this data was acquired/reprocessed as applicable after the grant of the permit.

EVALUATION CRITERIA	SCORE	NOTES	
PROPOSED EXPLORATION ACTIVITIES (continued)			
3	Committed activities (continued)		
	Committed seismic processing (on newly acquired data)/reprocessing and other studies will be scored according to their perceived information-gathering value and how this is designed to help de-risk the perceived prospectivity. It will, depending on geological understanding, consider the relative merits (e.g. in the case of seismic processing/reprocessing) of PSTM, PSDM and other more specialised attributes, inversion work etc.		
3.5	Processing/reprocessing	0–25	Bidders should clearly identify the quantity, timing and type of proposed committed 2D and 3D seismic reflection processing/reprocessing. This should include a discussion of how the proposed processing/reprocessing techniques and processing flow best target plays/leads/prospects. Bidders should also include details and reasons for any proposed advanced seismic technique studies (e.g. inversion, anomaly/attribute analysis). A table and map should be included showing the amount and spatial distribution of the processed/reprocessed data (line km, line spacing, km ²) in respect of each block.
3.6	Studies	0–20	Bidders should include details and discussion of any other proposed studies (e.g. biostratigraphic, reservoir, petrophysical and/or other geological, geophysical or geochemical studies). A description and map should be included showing blocks targeted by the studies. Only field studies proposed within the Bid Area may be awarded marks.
4	Overall work programme		
4.1	Early commit or surrender point (for drilling)	0–40 (single mark shared across blocks)	Up to 40 marks are available for a commit or surrender point within 18 months of the Commencement Date or up to 20 marks for a commit or surrender point within 30 months of the Commencement Date. The mark will normally be spread across the blocks according to where prospectivity lies. If no specific prospectivity is identified, then the mark will normally be spread across all the blocks applied for.
4.2	Overall logic/credibility (including contingent work)	0–20	Bidders should provide a clear work programme plan and a description of the overall logic of the proposed work programme and its timelines (including committed and contingent activities, and commit or surrender points) up to the later of the first exploration well or five years. This should include discussion of the extent to which the proposed work programme addresses the full petroleum potential of individual blocks within Bid Areas and how the proposed work programme will reduce risk to drillable levels.

SCHEDULE 6: CAPABILITY ASSESSMENT

1. GENERAL

1.1 The capability assessment differs depending on whether a Bidder has indicated that they want to be assessed under section 29A of the Act or under section 29B of the Act.

Section 29A

1.2 The capability assessment pursuant to section 29A(2) of the Act considers three elements:

- (a) whether the Bidder is likely to comply with and give proper effect to the proposed work programme, taking into account:
 - (i) the Bidder's technical capability;
 - (ii) the Bidder's financial capability;
 - (iii) any relevant information on the Bidder's failure to comply with permits or rights, or conditions in respect of those permits or rights, to prospect, explore, or mine in New Zealand or internationally;
- (b) whether the Bidder is likely to comply with the fees, royalty and reporting requirements of a permit (this is discussed further in paragraphs 4.1 and 4.2 below); and
- (c) whether the proposed operator has, or is likely to have, by the time the relevant work is undertaken, the capability and systems that are likely to be required to meet the HSE requirements for the activities proposed under the permit (this is discussed further in paragraphs 5.1 to 5.8 below).

1.3 The assessment described in paragraphs 1.2(a) and (b) above is undertaken in respect of each Bid participant. The assessment described in paragraph 1.2(c) is an assessment undertaken only in relation to the proposed operator.

1.4 Where a Bid participant, including the proposed operator, is owned by a parent company or other person and will be employing financial, technical or HSE resources (including personnel) provided by that parent company or other person, and/or any other related company, that must be clearly set out in the Bid.

1.5 The parent company, other person and/or any other related company (as applicable) must provide confirmation that it has, and will provide, those resources to the Bid participant and set out how and when that will occur. This confirmation should also demonstrate that other commitments held by any related company (wholly owned by the parent or person) can be met.

1.6 Any further information that the Bidder considers relevant to the overarching likelihood tests under section 29A(2)(b) and section 29A(2)(c) of the Act, respectively, must be provided.

Section 29B Conditional PEP

1.7 In the case of a section 29B Bid, the capability assessment of the Bidder as described in paragraphs 1.2 to 1.6 above is undertaken in the same way, except that in respect of paragraphs 1.2(a) and 1.2(c), it is only for the activities in the proposed work programme prior to the exploration drilling committal date.

2. TECHNICAL CAPABILITY

- 2.1 This is an assessment of the Bidder's (and in particular, the proposed operator's) capability to deliver the proposed work programme.
- 2.2 It is expected that experienced board level and senior management positions (e.g. corporate, operational, geoscience, legal, financial and HSE) are filled and that systems commensurate with a viable exploration company, in accordance with good industry practice, exist in-house at the time of the Bid. However, some positions reporting to the board or senior management team may be under contract or still be in the process of engagement/recruitment.
- 2.3 The following information must be provided in the Bid to enable assessment of technical capability:

IN RESPECT OF THE PROPOSED OPERATOR:

a.	Names, qualifications, professional experience, and length of tenure of directors and key management staff, including the CEO and those managers responsible for HSE, operations (exploration and development), geoscience, engineering, drilling and R&D.
b.	Details of previous operating experience (day-to-day management of activities) in relation to operations performed in similar physical conditions to those in the Bid Area. This should include seismic acquisition, drilling and production, whether in New Zealand or internationally. Please provide examples over the last 10 years.
c.	A description and chart showing the management structure (with assigned hierarchical decision-making responsibilities) and systems currently in place (or being prepared) in relation to exercising supervision of operations in accordance with good industry practice. This should include identification of what operational management skills exist in-house, what is/will be contracted and what systems exist or are being implemented to cover interfaces and control of any contracted support. As-yet unfilled positions should be identified and the intended process to fill those positions should be set out.
d.	Details of the proposed operator's risk management system, as defined in AS/NZS ISO 31000:2009 or a similar or equivalent standard.
e.	<p>A description of the proposed operator's in-house capabilities in the areas of:</p> <ul style="list-style-type: none"> (i) exploration geology and geophysics (including ownership, access or contracts for geophysical data acquisition); (ii) reservoir geology and engineering; (iii) exploration well design, drilling and completion; (iv) production development and engineering (including ownership); (v) facilities management; (vi) field development technology including subsea development; and (vii) process operations. <p>If the above capabilities are not available internally, a description should be provided showing how external resources (contractors) will be used to supplement them. The Bid should set out how these external resources will be managed, and by whom internally.</p>
f.	The proposed operator's policy with regard to employing new or advanced technology and company track record in introducing new technology to operations.

3. FINANCIAL CAPABILITY

Section 29A Bids

- 3.1 In order to enable financial capability to be assessed, each Bid participant to be assessed under section 29A of the Act must demonstrate their ability to finance:
- (a) in respect of the Bid, their share of the committed activities (which may include one or more wells) and, in recognition of the fact that not all contingent exploration work may be done, 50% of their share of the contingent activities up to and including the first contingent well;
 - (b) in respect of any New Zealand or overseas mining permit or licence in which the Bid participant holds an interest, their share of all committed activity;
 - (c) in respect of any New Zealand exploration permit in which the Bid participant holds an interest and has been:
 - (i) granted under section 29A, or
 - (ii) granted prior to 23 May 2013, or
 - (iii) granted under section 29B and the Bid participant has since committed to drilling for exploration purposes on that permit,

their share of the committed activities (which may include one or more wells) and, in recognition of the fact that not all contingent exploration work may be done, 50% of their share of the contingent activities up to and including the first contingent well;
 - (d) in respect of any New Zealand exploration permit in which the Bid participant holds an interest and has been granted under section 29B, and where the Bid participant has not committed to drilling for exploration purposes, their share of the committed activities and, in recognition of the fact that not all contingent exploration work may be done, 50% of their share of the contingent activities prior to the exploration drilling committal date;
 - (e) in respect of any overseas exploration permit or licence in which the Bid participant holds an interest, their share of all committed activities; and
 - (f) any other financial obligations relating to permits held by the Bid participant that are due within the period over which the Bidder's financial capability to comply with the Bid's work programme is assessed.

- 3.2 Demonstration of financial capability will vary from one case to another but where a Bid participant's Cash or Near Cash Equivalent holdings are significantly greater than the costs described in paragraph 3.1 above, this will normally provide sufficient evidence that adequate funding will be available to meet anticipated work programme costs.
- 3.3 Where financial capability cannot be demonstrated by a Bid participant's Cash or Near Cash Equivalent holdings as described in paragraph 3.2 above, it can be demonstrated by other means to the satisfaction of the Minister. This may include, but is not limited to, one or more of the following:
- (a) **Future cash flows** – Only cash flows from existing assets which have proven reserves and are in production, or where production is imminent, are considered. NZP&M will require detailed financial projections for a period of not less than five years. Speculative cash flows (e.g. where assets are not in production and where production is not considered imminent) are not acceptable.
 - (b) **Loans from banks or other financial institutions** – If evidenced by a signed loan agreement. Loan agreements that have been made conditional upon the grant of a permit are acceptable but letters of intent from a bank or other financial institution are not.
 - (c) **Loans from directors or other individuals** – Must be confirmed in writing. Evidence of the lender's ability to make such loans, and evidence of the Bidder's capability to repay such loans, must be provided (including such evidence as described elsewhere under paragraph 3.3).
 - (d) **Parent company/ third party support (includes directors): deed of guarantee** – If a company will be relying on the financial support from another entity (e.g. a parent company), a deed of guarantee must be submitted with the Bid. This deed must be in the NZP&M standard format. A copy of the standard form deed of guarantee is available on the NZP&M website. Where a guarantee is given, appropriate financial information must be provided to demonstrate the financial capability of the guarantor (including consideration of any related company work programme expenditures of the type described in paragraph 3.1(b) to (d) above).

If the guarantor is not registered in New Zealand, independent legal advice as to the enforceability of the deed of guarantee under New Zealand law may also be required (at the Bidder's cost).

- (e) **Issue of additional share capital** – Provide details of the share issue which is to occur within the next six months, together with documentary evidence that:
- (i) the funds are available and have been irrevocably committed to the share issue by the investor(s); or
 - (ii) the share issue has been guaranteed/underwritten by a recognised financial institution or stock brokerage (future share issues will not be acceptable without such evidence).

Section 29B Bids

3.4 In order to enable financial capability to be assessed, each Bid participant to be assessed under section 29B of the Act must demonstrate their ability to finance:

- (a) in respect of the Bid, their share of the committed activities, and in recognition of the fact that not all contingent exploration work may be done, 50% of their share of contingent activities prior to the exploration drilling committal date;
- (b) in respect of any New Zealand or overseas mining permit or licence in which the Bid participant holds an interest, their share of all committed activity;
- (c) in respect of any New Zealand exploration permit in which the Bid participant holds an interest and has been:
 - (i) granted under section 29A, or
 - (ii) granted prior to 23 May 2013, or
 - (iii) granted under section 29B and the Bid participant has since committed to drilling for exploration purposes on that permit,

their share of the committed activities (which may include one or more wells) and, in recognition of the fact that not all contingent exploration work may be done, 50% of their share of the contingent activities up to and including the first contingent well;

- (d) in respect of any New Zealand exploration permit in which the Bid participant holds an interest and has been granted under section 29B, and where the Bid participant has not committed to drilling for exploration purposes, their share of the committed activities and, in recognition of the fact that not all contingent exploration work may be done, 50% of their share of the contingent activities prior to the exploration drilling committal date;
- (e) in respect of any overseas exploration permit or licence in which the Bid participant holds an interest, their share of all committed activities; and
- (f) any other financial obligations relating to permits held by the Bid participant that are due during the relevant period of assessment.

3.5 Paragraphs 3.2 to 3.3 above also apply to the assessment of Bid participants for Conditional PEPs (modified in accordance with paragraph 3.4 above).

Information required for Section 29A and 29B Bids

3.6 Notwithstanding paragraph 3.3, the following information must (if in existence) be provided in the Bid (for section 29A and section 29B Bids) to enable the assessment of financial capability:

IN RESPECT OF THE BIDDER:

- | | |
|----|---|
| a. | Cost breakdown and timing of the proposed work programme (committed and contingent activities) out to and including the latter of the first well or five years. Costs should be supported by vendor quotes or evidence of market rates (that are demonstrably credible). Please include all associated costs (such as anticipated shares of mobilisation and demobilisation costs). |
|----|---|

IN RESPECT OF EACH BID PARTICIPANT:

- | | |
|----|---|
| b. | Latest audited financial statements of the company (not more than 18 months old), and any associated group financial statements. Where more than six months have elapsed since the balance date, interim accounts should also be provided. |
| c. | Annual corporate reports and supporting material for the past two years. |
| d. | Current paid-up capital. |
| e. | Current debt/equity ratio. |
| f. | Earnings before tax and amortisation in the last financial year. |
| g. | Profit after tax and amortisation in the last financial year. |
| h. | Details including costs and scheduling of other New Zealand and international commitments (committed and contingent) – see paragraphs 3.1 and 3.4 above. |
| i. | Evidence of financial capability for their share of the work programme – see paragraphs 3.1 to 3.5. |
| j. | Identify if (and the extent to which) their share of costs will be carried by another Bid participant and provide evidence of a legally binding agreement providing for that arrangement. |
| k. | Provide a list of any current or known future financial commitments (New Zealand and international) and bids currently under consideration in other jurisdictions together with the estimated costs of those commitments and a statement on whether these are likely to affect their ability to meet the costs described in paragraphs 3.1 and 3.4 above. |

4. COMPLIANCE

- 4.1 The purpose of the compliance assessment is to assess the previous compliance record of the Bid participants to assess whether the Bidder is likely to comply with and give proper effect to the proposed work programme if granted and to assess whether the Bid participant is likely to comply with relevant obligations under the Act or the regulations in respect of reporting and the payment of fees and royalties.
- 4.2 The following information must be provided in the Bid to enable assessment of the Bidder's likelihood of compliance:

IN RESPECT OF EACH BID PARTICIPANT:

Details of their (and all related companies') history of compliance with previous or current permit or licence obligations or the Act over the 10 years prior to the Closing Date that is material and relates to or has a bearing on the type of activities proposed under the Bid, including (but not limited to):

- | | |
|----|--|
| a. | Details of any petroleum permits, minerals permits or licences held by the Bid participant (or a related company) in New Zealand or internationally that have been revoked for non-compliance. |
| b. | <p>Details of any current investigations or actions taken by regulators (whether in New Zealand or internationally) in relation to any breach of any petroleum permits or licences, minerals permits or licences held by the Bid participant (or a related company) in New Zealand or internationally.</p> <p>This should include contact details for the person within the regulator who is dealing with the matter.</p> |
| c. | <p>Details of any past or current petroleum permits or licences (or minerals permits or licences) held by the Bid participant (or a related company) in New Zealand or internationally where there has been a failure to comply.</p> <p>A failure to comply is any breach of a permit or right or associated legislation, or failure to undertake committed activities. This includes, without limitation:</p> <ul style="list-style-type: none"> (i) non-compliance with a work programme obligation (in particular, obligations to drill exploration wells or complete seismic survey work); (ii) non-compliance with a permit general condition; or (iii) the surrender of a permit or licence prior to the completion of all committed obligations, including work programme activities in a current stage, and decommissioning. <p>Where applicable, provide details of those obligations and reasons for the surrender and failure to comply.</p> |
| d. | Details of any material non-compliance with the Act or associated regulations, in New Zealand or internationally, in respect of reporting requirements or requirements to pay fees or royalties. These may be associated with current or previously held petroleum or minerals permits or licences, held by the Bid participant or a related company. |
| e. | Details of any breach of the Act (e.g. illegal mining). |

5. HEALTH, SAFETY AND ENVIRONMENT (HSE)

Section 29A

- 5.1 Section 29A(2)(d) of the Act requires that before granting a permit the Minister must be satisfied that the proposed operator has, or is likely to have by the time relevant work in any granted permit is undertaken, the capability and systems that are likely to be required to meet the HSE requirements of all specified Acts for the types of activities proposed under the permit.
- 5.2 The approach to assessing a proposed operator's HSE systems and capability is set out in clause 5.4 of the Petroleum Programme and, for the purposes of this IFB, is further detailed below.
- 5.3 A high level preliminary assessment of the proposed operator's HSE capability and systems will be undertaken in relation to the exploration activities in the proposed work programme. This will include consideration of both committed and contingent activities (including drilling), and will be considered in the context of the area applied for (e.g. onshore/offshore), and the nature of the operating environment and methods proposed in the proposed work programme.
- 5.4 If the operator is currently undertaking similar activities in New Zealand or in a comparable jurisdiction, the Minister will normally be satisfied, in the absence of clear evidence to the contrary, that the operator is likely to meet HSE requirements for the types of activities proposed under the permit (clause 5.4(5)(a) of the Petroleum Programme).
- 5.5 If the operator is not currently undertaking similar activities in New Zealand or in a comparable jurisdiction, then a wider range of considerations is considered (clause 5.4(5)(b) of the Petroleum Programme).

Section 29B Conditional PEP

- 5.6 The assessment of the proposed operator described in paragraphs 5.1 to 5.5 above applies to assessments of Bids under section 29B, except that it is only the activities in the proposed work programme that will be undertaken before the exploration drilling committal date that are considered.

Information required for both Section 29A and 29B (Conditional) PEP Bids

5.7 The following information must be provided in the Bid (for all section 29A and 29B Bids) to enable assessment of the proposed operator's HSE capability and systems:

IN RESPECT OF THE PROPOSED OPERATOR:	
General	
a.	Details of other activities of a similar kind to those proposed in the work programme that the proposed operator is currently undertaking in New Zealand or in a comparable jurisdiction (defined as Australia, the United Kingdom, Canada, the United States and Norway).
b.	<p>If the proposed operator is not currently undertaking similar activities in New Zealand or in a comparable jurisdiction:</p> <ul style="list-style-type: none"> (i) details of similar activities in any non-comparable jurisdictions and a summary of the HSE regulatory framework for those jurisdictions; (ii) details of the proposed operator's understanding of New Zealand's regulatory requirements relating to HSE as those requirements apply to the type of activities proposed in the work programme, including any iwi consultation processes prescribed in the relevant legislation (Requirements); (iii) a description of the HSE risks (and proposed management of those risks) relating to the activities proposed in the proposed work programme (Risks); (iv) a description of the systems, processes and capabilities they have to meet the Requirements and manage the Risks; (v) a list of the personnel who have appropriate qualifications and experience to enable the operator to meet the Requirements and manage the Risks. If the proposed operator does not currently employ personnel in these roles, they must set out the steps they will take to engage those persons prior to the activities being undertaken. <p>If the proposed operator does not currently have the appropriate systems, processes, capabilities or personnel that are likely to be required to comply with the Requirements and manage the Risks, they must set out the process and timeframe by which the appropriate systems, processes or capabilities will be put in place, or suitable personnel employed, prior to the activities being undertaken.</p>

5.8 The following information must be provided in the Bid (for section 29A and section 29B Bids) to enable assessment of the proposed operator's Health and Safety capability and systems:

Health and Safety	
c.	Details of their policies in relation to process safety ⁷ (in particular) and occupational health and safety (more generally)
d.	A description of their management structure (directors/managers/personnel) identifying specific responsibilities for process safety and occupational health and safety, up to and including board level.
e.	A list of the key personnel involved in decision-making (up to and including board level), including their previous experience with respect to managing process safety and occupational health and safety.
f.	Details of their safety management system.
g.	<p>Details of their (or their parent company's) record of compliance with health and safety legislation over the 10 years immediately prior to the Closing Date, including details of:</p> <ul style="list-style-type: none"> (i) any enforcement action taken against either company; (ii) any incidents involving fatalities, loss of containment, fires, or explosions; (iii) any investigation reports from such incidents; (iv) where there has been an incident, the proposed operator should demonstrate they have the ability to analyse the causes of (and their contribution to causing) the incident and to identify actions to prevent the recurrence of the same or a similar type of incident; (v) contact information for any regulator involved in any such issues; (vi) details of any civil legal action taken against the operator or their parent company in relation to any such incident, whether or not it has been determined.

⁷ A disciplined framework for managing the integrity of hazardous operating systems and processes by applying good design principles, engineering, and operating and maintenance practices.

5.9 The following information must be provided in the Bid (for section 29A and section 29B Bids) to enable assessment of the proposed operator's Environmental capability and systems:

Environmental	
h.	Details of their environmental policies, including any environmental management statements and, in particular, their policies in relation to avoiding, mitigating or remedying environmental hazards (or risks) associated with the types of activities proposed in the work programme. These policies should be consistent with industry best practice.
i.	A description of their management structure (directors/managers/personnel) identifying specific responsibilities for environmental risk management up to and including board level.
j.	A list of the key personnel involved in decision-making up to and including board level, including their previous experience with respect to managing environmental risks.
k.	<p>Details of their (or their parent company's) record of compliance with environmental legislation in New Zealand or other comparable jurisdictions over the 10 years prior to the Closing Date including details of:</p> <ul style="list-style-type: none"> (i) any enforcement action taken against either company; (ii) any incidents involving oil spills or other air, water or land pollution, or otherwise that resulted in a significant environmental incident; (iii) any investigation report from such an incident; (iv) where there has been an incident the proposed operator should demonstrate they have the ability to analyse the cause of (and their contribution to causing) the incident and to identify actions to prevent the recurrence of the same or a similar type of incident; (v) contact information for any regulator involved in any such issues; (vi) details of any civil legal action or arbitration proceedings taken against either company in relation to any environmental incident (including details of the judgment, award or settlement to the extent it is not confidential).

SCHEDULE 7: PERMIT CONDITIONS

GENERAL CONDITIONS

All permits granted in Block Offer 2019 will include the following conditions unless otherwise agreed, and all Bids must be capable of including the following conditions:

1. COMMENCEMENT DATE

- 1.1 All permits granted in Block Offer 2019 will commence on 1 April 2021 (or such other date as may be specified by the Minister) (**Commencement Date**).

2. DURATION

- 2.1 The duration of a PEP granted in respect of the Block Offer 2019 Release Area will be **10 years** from the Commencement Date.

3. RIGHTS GRANTED BY THE PERMIT

- 3.1 The right of the permit holder to explore for the specified petroleum resources in the permit area will be exclusive, subject to condition 3.2 below.
- 3.2 The right of the permit holder to prospect for the specified petroleum resource in the permit area will be non-exclusive.

4. GOOD INDUSTRY PRACTICE

- 4.1 The permit holder shall make all reasonable efforts to explore and delineate the specified petroleum resource potential of the land to which the permit relates in a proactive and efficient manner in accordance with the permit and good industry practice.

5. COMPLIANCE AND CONSENTS

- 5.1 In carrying out activities under the permit, the permit holder must:
- comply with the Crown Minerals Act 1991 (**the Act**) and all other relevant legislative requirements;
 - obtain any consents and approvals required under the Resource Management Act 1991, and any other applicable Acts; and
 - in accordance with section 33A of the Act, obtain confirmation from the Chief Executive that WorkSafe (the health and safety regulator) has given its approval or consent before carrying out an activity under the permit that requires the approval or consent of WorkSafe (in respect of the requirements of the Health and Safety at Work Act 2015 or regulations made under that Act).

6. WORK PROGRAMME CONDITIONS

Commit or surrender points

- 6.1 Where the permit holder is required to commit to work pursuant to the permit, the permit holder must establish to the satisfaction of the Chief Executive (as defined in the Act) that the permit holder can fulfil that commitment.
- 6.2 Not less than three months prior to a commit or surrender point (or such other date as may be agreed by the Chief Executive), the permit holder must submit to the Chief Executive a proposed work programme for the following stage. The work programme for the following stage will be agreed or determined by the Minister in accordance with clause 7.9 of the Minerals Programme for Petroleum 2013 (**Petroleum Programme**).

Relinquishment obligations

- 6.3 Where the permit holder is required to relinquish part of the permit area, the permit holder must submit to the Chief Executive a map of the proposed relinquishment area not later than 28 days before the relinquishment obligation is due.

Changes of conditions

- 6.4 An application from the permit holder for a change of conditions is required if the permit holder wants to change key deliverables of the work programme, in accordance with section 36 of the Act and the Petroleum Programme.

Well drilling

- 6.5 Where the permit holder is required to drill an exploration well, the well must target an objective as specified in the permit or an objective and/or depth agreed between the permit holder and the Chief Executive.
- 6.6 The permit holder must plug and abandon any wells drilled or re-entered under the permit in accordance with good industry practice promptly upon completion of the drilling, surveying and testing of the well (and prior to the surrender or expiration of the permit unless otherwise agreed to in writing by the Chief Executive. If a subsequent mining permit is granted under section 32(3) of the Act, this condition may be included as a condition to that mining permit and apply to all wells drilled or re-entered under this exploration permit and under the mining permit.

7. SUBCONTRACTING

- 7.1 The permit holder is not discharged from any obligation arising under the permit by contracting a third party to perform the relevant obligation.

8. FEES AND ROYALTIES

- 8.1 The permit holder shall pay annual fees and any other applicable fees relating to the permit, in accordance with the relevant regulations.
- 8.2 The permit holder shall be liable for payment of a royalty to the Crown calculated in accordance with the Crown Minerals (Royalties for Petroleum) Regulations 2013.
- 8.3 The permit holder shall report and pay any royalties due in accordance with the relevant regulations.

9. REPORTING

- 9.1 The permit holder shall submit reports to the Chief Executive in accordance with the relevant regulations.

10. ACTIVITIES OF OTHER OPERATORS IN THE PERMIT AREA

- 10.1 The permit holder must not unreasonably refuse consent or impose unreasonable conditions on the proposed activities of the holder of:
- a non-exclusive petroleum prospecting permit; or
 - a petroleum permit for a specified petroleum resource not covered by the permit.
- 10.2 If there is a dispute concerning the permit holder's refusal to consent or the conditions proposed, the Minister may make a determination which will be binding on the permit holder and the holder of the permit described in condition 10.1 above.
- 10.3 The permit holder must not unreasonably interfere with or endanger operations under any permit granted or existing privilege maintained under the Crown Minerals Act 1991.

11. IWI ENGAGEMENT

- 11.1 The permit holder is required under section 33C of the Act to provide to the Minister an annual iwi engagement report, detailing the permit holder's engagement with relevant iwi and hapū.
- 11.2 Notwithstanding the Crown's obligations under the Treaty of Waitangi, the permit holder is required to engage with iwi and hapū on an ongoing basis and in a positive, fair and constructive manner, with a strong preference for kanohi ki te kanohi (face-to-face) interactions. While the nature and object of engagement will depend on relevant circumstances, the permit holder is expected to:
- provide adequate information to iwi and hapū in a timely manner;
 - allow iwi and hapū a reasonable opportunity to state their views and discuss them with the permit holder; and
 - consider the views of iwi and hapū when undertaking activities under the permit.
- 11.3 In particular, iwi engagement is required at least 20 working days prior to, and in connection with, the permit holder undertaking activities within 200 metres of:
- recorded and unrecorded Wāhi Tapu and Urupā (to be disclosed in confidence);
 - cultural redress properties and areas of cultural significance (including, without limitation, those specified in applications made under the Marine and Coastal Area (Takutai Moana) Act 2011);
 - rivers, waterways and tributaries that are significant to iwi (such as those recorded as statutory acknowledgements in Treaty settlements);
 - Marae / Pā sites;
 - Significant Natural Areas (SNAs) within a rohe (available from the Taranaki Regional Council);
 - schools and early childhood establishments within a rohe; and
 - the Taranaki Coastal Marine Environment and the regionally significant surf breaks.
- 11.4 Further guidance on the principles of engagement specified in Permit Condition 11.2, and on sourcing information on the areas specified in Permit Condition 11.3, may be requested from the Chief Executive.

SPECIFIC CONDITIONS

Some permits granted in Block Offer 2019 will include the following conditions where relevant:

12. CONDITIONAL PEP

- 12.1 Not less than 45 days before the first commit or surrender point in respect of drilling for exploration purposes (**exploration drilling committal date**), the permit holder must submit to the Chief Executive an application for approval by the Minister that the permit holder satisfies the requirements of section 29A(2)(b) and (d) of the Act in relation to the exploration drilling or notify the Minister that the permit holder intends to apply to surrender the permit.
- 12.2 Not less than seven days before the exploration drilling committal date, the Chief Executive will notify the permit holder of the Minister's decision under condition 12.1 and advise whether the permit holder may elect to commit to exploration drilling under the permit.
- 12.3 The permit holder must not drill for exploration purposes within the permit area unless the Chief Executive notifies the permit holder of the Minister's approval under condition 12.1 and the permit holder commits to drilling for exploration purposes in accordance with the permit.

