

To whom it may concern

**Re: Regulatory Impact Statement for draft Petroleum Regulations**

**[Redacted]** welcomes the opportunity to provide comment on the draft Petroleum Regulations 2021 (**draft Regulations**) and the Code of practice for the construction, operation and decommissioning of petroleum wells in Victoria – consultation draft (**draft Code**).

**[Redacted]** is an ASX listed, oil and gas exploration and production company headquartered in **[Redacted]**. **[Redacted]**'s asset portfolio includes ownership interests in strategic oil and gas infrastructure and assets across Australia and New Zealand. In Victoria, **[Redacted]** operates the **[Redacted]** and **[Redacted]** near **[Redacted]** and holds exploration permits and production licences under the Petroleum Act 1998 (**the Act**).

Recent activities undertaken by **[Redacted]** in accordance with the Act and Petroleum Regulations 2011 include drilling of the **[Redacted]** production well and subsequent connection to the **[Redacted]** facilities and the drilling of the **[Redacted]** exploration well. **[Redacted]** is currently producing through to the **[Redacted]** and **[Redacted]** has been evaluated for commerciality and a decision made to convert the well to production. In planning for and executing these petroleum operations, **[Redacted]** has undertaken the studies and assessments necessary to secure the relevant regulatory approvals including the Operations Plans (and WOMP and Environment Management Plan) required under the Act.

**[Redacted]** recognises the need for early and transparent consultation in respect of our projects and operations and we hold ourselves to the highest standards to ensure authentic engagement with relevant persons. In planning for and executing the drilling of the **[Redacted]** and **[Redacted]** wells we actively engaged with individuals, community groups and organisations within **[Redacted]** and **[Redacted]**. Throughout our engagement activities **[Redacted]** has built mutually respectful relationships with all relevant people and organisations.

In light of **[Redacted]**'s recent experiences in navigating the consultation and approvals processes for petroleum operations under the Act, we are well placed to comment on the functionality of the draft Regulations and the draft Code.

A key concern we have identified is how the draft Regulations change the scope and purpose of consultation and engagement beyond what is provided for under the Act. The consultation expected in draft regulation 35 encompasses, broader considerations than *how* petroleum operations will be conducted.

In our reading of the draft regulation, it seems the focus has shifted away from consultation about the impact that specific petroleum operations may have on the activities or interests of relevant persons or organisations.

Instead, regulating a need to "identify community attitudes and expectations; and analyse community feedback taking into account community concerns or expectations"<sup>1</sup> creates the potential to encompass nonlocalised, less informed, and ideological views.

Such a broadening would dilute the opinions of a 'relevant person or organisation'<sup>2</sup> who wish to 'make an informed assessment of any impact that the petroleum operation may have on the activities or interests of that person or organisation'<sup>3</sup>.

Respectfully, consultation on these matters at the implementation phase isn't prudent when production licences have been issued, exploration activities completed, and work programs approved. The petroleum operations will be underway.

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<sup>1</sup> 1 Draft Petroleum Regulations 2021, r 35(f).

<sup>2</sup> *Petroleum Act 1989*, s161(4).

<sup>3</sup> *Ibid*, s161(1B).

It is our firm view that the level of assessment and analysis envisioned by regulation 35(f) has been addressed and considered by the Victorian Gas Program. If further analysis of attitudes and expectations are warranted this should be considered at the latest as part of the Public Consultation phases which are required as part of the tender processes<sup>4</sup> and not when petroleum operations are underway.

**[Redacted]** submits the draft Regulations should be amended to give effect to the intent of the Petroleum Act ensure that the consultation requirements of the draft Regulations maintain the focus on the conduct of operations and the impact that the petroleum operations may have on the activities or interests of relevant persons or organisations.

At a high level other key observations include:

- The definition of aquifer within the draft Code when combined with the proposed cementing requirements makes well construction unfeasible. As drafted, operators could be required to cement the entire length of the well to comply with the requirement to isolate all water bearing formations from each other with independently verified barriers.
- The introduction of categories of people for consultation which are not currently included in the Act.
- The lack of specific recognition of the regulatory reality of nearshore wells. It is clear where the regulatory boundaries sit between onshore and offshore, but it remains ambiguous how the process is managed where two separate regulators have assessment and approval oversight of a single well under two separate pieces of legislation.

**[Redacted]** has made additional comments on a range of specific provisions of the draft Regulations and the draft Code which are set out in the attachments to this letter.

**[Redacted]** thanks DJPR for the work conducted to date and as always we are more than willing to meet with the Department to discuss our submission and how we can best deliver natural gas to the 2 million homes and businesses in Victoria, while ensuring the appropriate transparency.

Yours faithfully

**[Redacted]**

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Attachment 1: Comments on Draft Regulations 2021

Attachment 2: Comments on draft Code of practice

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### **Attachment 1: Comments on draft Petroleum Regulations 2021**

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<b>Regulation</b>	Issue and proposed solution
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<sup>4</sup> *Petroleum Act 1989*, ss19A and 50A.

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<b>Reg 33(h)</b>	<p>Introduces a new class of undefined persons: “other relevant interested persons and organisations”</p> <p>Should be ‘relevant persons or organisations’.</p>
<b>Reg 33(j)</b>	<p>It is unclear what is intended by ‘hydrocarbon gas emissions’</p>
<b>Reg 35</b>	<p>The Act sets out requirements for consultation with ‘relevant persons or organisation’. While those persons and organisations (a defined term in the Act), are no doubt a part of a “community”, it is clear that the Act intended to limit the application of these provisions to that category of persons.</p> <p>The draft Regulations however attempt to go further and extend the reach of the Petroleum Act to a broader category of persons by introducing the concept of community (which is not a defined term).</p> <p>Given the defined term in the Act, it appears the regulations are being used as a vehicle to expand the level of consultation to persons not intended to be captured under the Act.</p> <p>The regulations should be limited to the defined term used in the Act.</p> <p>‘Community’ in the draft Regulations should be replaced throughout with ‘relevant person or organisation’.</p>
<b>Reg 35(f)</b>	<p>It is unclear what is intended to be achieved by these requirements in relation to meeting the objectives of the Act.</p> <p>Such activities could have an unintended consequence of suggesting to community members that if they do not support a petroleum activity, then a title holder should not proceed, or that the consultation process was disingenuous. Whereas the objectives of the Act and Regulations are to set out ‘how’ the activities must be carried out, not ‘if they should be carried out’.</p> <p>These issues are more appropriately dealt with as part of the Public Consultation required as part of the tender process for permits and licences (for example ss 19A and 50A.)</p>
<b>Reg 33(k)</b>	<p>Implication that there will be ongoing monitoring of water bores through production phase. Risk of groundwater contamination from the operation of gas wells is already ALARP. The well construction in accordance with technical standards and the proposed CoP doesn’t justify future monitoring.</p> <p>The requirement for a groundwater monitoring program should be based on the risks presented by the specific petroleum operations, rather than requiring groundwater monitoring bores as a standard in every case.</p>

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**Reg 22(1)(a)(ii)** The drafting suggests that petroleum operation stages should include all stages (A)-(E). This will be difficult to achieve where an operation plan is submitted for construction activities – generally construction activities will often occur prior to having comprehensive information about subsequent operations (e.g. drilling or production) to inform the preparation of plans.

Also, it is unclear what is meant by construction in the context of drilling an exploration well.

Suggest the regulation is amended to allow scope for activity specific plans to be submitted.

*Petroleum Operation* as defined in the Act suggests Petroleum Operation is a smaller subset of larger activities. Whereas the way it is used in regulation 22 tends to indicate Petroleum Operations is a larger group of activities.

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**Reg 22(1)(iii)** We propose that there is a review of all notification/reporting requirements and a rationalisation of the obligations where there is an overlap

The new regulations impose new requirements:

- to notify the Minister ahead of each “stage” (22(1)(iii))
- to provide a report to the Minister within 7 days prior to commencement of each stage of the petroleum operation (reg 22(1)(b)).

The Act has existing obligations to provide notices or to seek Ministerial consents prior to commencement of activities under s138 and 144.

The review should consider what is the intention of these separate notifications and how can they be rationalised.

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**Attachment 2: Comments on the Code of practice for the construction, operation and decommissioning of petroleum wells in Victoria consultation draft**

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<b>section</b>	<b>Issue and proposed solution</b>
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Definitions

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Aquifer	<p>Definition should be revised to avoid defining any water saturated formation at any depth as an aquifer. The essence of an aquifer is that it is a beneficial supply, or reasonably foreseeable potential supply, of usable fresh water. Adoption of a definition along the lines of those employed in the Northern Territory and Queensland Codes of Practice is suggested, specifically:</p> <p><i>For the purposes of this Code, a geological structure, formation or formations that holds water in sufficient quantity to provide a beneficial source of water that can be tapped by a bore. A saturated formation that will not yield water in usable quantities or qualities is not considered an aquifer.</i></p> <p>The definitions should also include <i>Groundwater</i> as defined in <i>Water Act 1989</i>.</p>
Casing coupling	No reference in body of document
Cementing head	No reference in body of document
Concrete	No reference in body of document
Lbs	No reference in body of document
Leak off	Definition is incomplete and not
ppg	No reference in body of document
2.1	<p>Inference that a single WOMP should cover all requirements of regulation 36 of the draft Petroleum Regulations.</p> <p>Accepted practice is that separate WOMPs are prepared for different phases of a well lifecycle, as identified in section 3.1. For example:</p> <ul style="list-style-type: none"> <li>• drilling, testing and completion,</li> <li>• production operations &amp; Interventions,</li> <li>• workover,</li> <li>• decommissioning</li> </ul> <p>The practical reason for this is that well information relevant to later phases is not available before well construction and completion and cannot be included in the initial WOMP.</p> <p><i>This section needs to be clear that the usual practice is acceptable.</i></p>
2.5	<p>The categories used in the Code appear to have been adopted from the Qld Code, while the intent appears to be to mirror the concept of binding and non-binding requirements, the definitions applied in the categories are ambiguous.</p>

To resolve the ambiguity, **[Redacted]** propose that the Code revert to the definitions set out in the Qld Code:

- a) **Principles:** these are the fundamental requirements that must be adhered to during the lifecycle of the well or bore.*
- b) **Means of compliance:** these are the requirements that are enforceable by the regulator and must be complied with. By adhering to these requirements, the well or bore will meet the Principles.*
- c) **Good industry practices:** these are recommended practices, methods and techniques to assist operators to satisfy the means of compliance. These are not in themselves means of compliance or principles. The terms should or may be used for good industry practice recommendations.*

4.1.1(d) This principle is fully addressed by points (b) and (e) and confuses the general industry understanding of “uncontrolled release”.

*Propose delete (d) or at least “...or crossflow”*

*Reference should also be made to the exceptions provided under section 4.1.2(m).*

4.1.2(i) Two separate concepts are being addressed in this section and should be separated.

Insert full stop after ... *the surface*.

Next bullet: *“Ensure that aquifers are isolated and protected from hydrocarbon bearing or abnormally pressured formations.”*

4.1.2(m)(v) the qualification for cement plug length should also apply during the construction phase:  
4.14.2(l)

*“(v) during well **construction and** decommissioning ...”*

And

Figures 5, 6 and 7

This is the first of many references throughout the Code to a requirement for a minimum of *50 m* cement plugs. **[Redacted]** suggest that all references throughout the Code be amended to read a “minimum of *30 m of good* cement...”.

The barrier standard in the Code should be consistent with the Oil and Gas UK *Well Decommissioning Guidelines - Issue 6, June 2018* which specifies 30m.

4.2.2(a) Delete ~~post~~ . Cement plugs provide the barriers after well decommissioning.

4.2.2 (e) delete ~~‘prevent surface pollutants from entering the well’~~. This phrase is inconsistent with the definitions of barrier/well barrier.

4.2.2 (i) replace ~~‘... maximum-anticipated ...’~~ with “... *expected* ...”

Insert “... occur at surface (*using the fluid gradient of the potential formation fluid influx from the next hole section*) but not ...”

4.2.3(b) Replace ~~“Typical~~ casing string ...” with *“Example”* ... The design factors set out in Table 2 are not commonly used and therefore not considered to be typical.

4.2.3 (h)	Replace ' <del>Drilling contractors</del> ' with ' <i>Well Operators</i> ' ...
4.2.3 (j)(i)	Replace ' <del>reservoir</del> ' with <i>the formation fluids expected in the next hole section</i> ,
4.2.3 (n)	<del>delete duplication in text</del>
4.4.2 (b)	API RP49 is a recommended practice, insertion is not appropriate as a mandatory requirement. This should be deleted or moved to the <i>Good Industry Practice</i> section.
4.5.2(d).	This same comment applies to section 4.5.2(d).
4.5.2 (a)(iii)	Delete this section. This requirement is already covered by section 4.5.2(a)(ii) requiring isolation of all aquifers. Isolation of aquifers during well decommissioning by full diameter rock-to-rock barriers is covered in section 4.14
Table 3 (Row2)	Table3: Also delete the last bullet point of row 2. Also unnecessary.
4.5.2 (m)	Cement placement modelling may demonstrate that the objectives can be achieved with a lower standoff (which may not be feasible in horizontal sections). Suggest text is replaced by: <i>Annulus cement placement modelling is required to demonstrate an expectation of high cement concentration with no continuous drilling fluid phase across the required barrier interval(s). Otherwise, centralisation is required to achieve a minimum of 70% casing standoff across the planned barrier interval.</i>
4.5.2(t)	this clause as unnecessary; development of sufficient compressive strength in cement is fundamental to successful verification of formation isolation or barrier effectiveness by cement evaluation logging or pressure testing
Table 4	delete last row in the table; effective primary cementing is not dependent on bumping of a cement displacement plug or the float valves holding the backpressure
4.6.1 III	Replace ' <del>all aquifers in the area</del> ' with ' <i>aquifers</i> ' ...
4.6.2 (f)	A more specific, workable definition of ground water is required; as written it covers all formations and could generate a requirement to cement a well from bottom to top. Delete: <del>Each groundwater unit is comprised of geological formations which may or may not be aquifers or permeable hydrocarbon bearing zones.</del>
4.6.2 (g)	edit; ... areas, <del>drilling, completions and well operations</del> <i>aquifers</i> are ...
4.6.2 (h)	delete (duplication)
4.7.2 (g)	As written the clause unnecessarily requires fully cemented surface casing annuli to have wellhead valve outlets. Delete ... ' <del>for all annuli</del> ' ...
4.9.2 (c)	Include casing as the specific means of isolating aquifers. Replace ' <del>by a minimum of two</del> ' ... by ... these aquifers are <i>cased off and</i> isolated by verified barriers, then:

4.11.1 preamble Figure ~~2~~1

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4.11.1 (b) ~~Their-w~~Well barrier integrity ...

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4.11.1 (d) The well 'safe' operating ...

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4.11.1 (e) delete this clause; duplication of the clause above

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4.11.2 (e) this clause belongs in 4.11.3

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4.11.3 (c) API RP 90-2 applies to ~~Off~~Onshore Wells

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4.11.3 (f) delete '~~geophysical logging~~', this is a technique only used for specific, suitable circumstances and is not part of routine well integrity maintenance practice.

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4.13.2 (h) if fluids are **appropriate** then stipulating the components is unnecessary. Delete the superfluous text. NAF might be more appropriate during a suspension phase (to be replaced in the cased wellbore during decommissioning, as per 4.14.2).

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4.13.2 (h) Wellhead inspection and maintenance and testing are separate elements of an integrity maintenance practice (visual inspection being the activity performed at the greatest frequency), delete ...', ~~at each scheduled inspection and~~ ...

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4.14 (b) The principle is 'preventing of the escape of liquids and gases to the surface'. Delete subsequent redundant text ... '~~and preventing impacts on members of the public the environment, land and property.~~'

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4.14.(g) ~~perforated zones~~ are a part of the constructed well, this item fits under clause (a) above as item (vi).

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4.14.2 (d) a requirement to displace any synthetic oil based mud from an open hole section may risk destabilising the open formations compromising an ability to set effective open hole cement plugs. Make the clause refer to water based fluids in the cased wellbore only. Stipulating the fluid components is not appropriate.

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4.14.2 (e) Separate the requirements.  
~~All aquifers are isolated from each other. Aquifers are isolated from~~ ~~and~~ any permeable hydrocarbon ...

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4.14.2 (h) Provided that the principles of aquifer and hydrocarbon bearing zone isolations are met in full, removal of lower completion components (production packer and any items installed in the well sections below) is an unnecessary requirement. Revision of this clause is requested to allow those items to remain in place, subject to compliance with all the isolation requirements.

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4.14.2 (j) Edit to clarify the requirement; ~~A single c~~ement plugs ~~does n'~~ot exceed ... Increase the allowable plug height to 250m.

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4.14.2 (m)(i)	delete this clause as it is not required to fulfill the principles and objectives.
4.14.2 (m)(ii)	mechanical barriers may also be set higher in the wellbore to support cement plugs or to facilitate cementing operations (not just directly above perforations).
Figure 7	Lowermost cement plug is in the open hole; delete ' . . <i>inside casing shoe</i> '
4.15.2 (g)	delete this clause; it is not related to leak management. The requirement for testing is covered in 4.11.2 (b) c.

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