

Policy for Licence Variations (Work programs)

Work program variations are subject to the provisions of Sections 25 (5) and 25 (6) of the *Petroleum Act, 2000*.

Work programs may be accelerated at any time, and this does not require the approval of PIRSA.

Genuine *force majeure* circumstances will be considered as sufficient justification for deferment of work (but not reduction) or for a licence suspension. *Force majeure* refers to an event or effect that cannot be reasonably anticipated or controlled via experience or care. Commercial circumstances that are common risks in the industry would not normally be considered as a basis for *force majeure* (eg changes in oil prices, difficulty in attracting farm-ins, too expensive drilling costs). Such factors may influence the perceived commercial viability of the work program, and the option may be then for the licensee to relinquish all or part of the area.

All other types of variation are subject to the discretion of PIRSA, on a case-by-case basis.

Guaranteed work programs may not be varied to reduce or substitute the overall work program. Work may be deferred within the guaranteed period provided the overall guaranteed program is not reduced (eg a guaranteed well in year 2 may be deferred to year 3, provided that year was also initially guaranteed).

For exploration licences awarded as part of a competitive tender process, variations to the non-guaranteed work program will be considered, provided the program variation does not reduce the value of the overall work program to equal to or below the value of the next highest bidder at the time of licence grant. Variations to reduce the work program below the next highest bidder will only be considered in exceptional circumstances (ie a radical change in perceptions of prospectivity), and will be subject to consultation with the unsuccessful bidders.

Over-the-Counter work programs may be varied down to the minimum work program (1 well in the 5 year term).

If the variation is approved in either of the above cases, an area of the licence equivalent to the % reduction in value of the overall work program may be required to be relinquished.

Licensees may seek to have an alternative work activity credited as meeting a work program commitment. In general, wells will not be permitted to be substituted by other work (eg seismic). If insufficient seismic has been carried out to locate a well or prospect, it will be expected that the licensee will undertake additional seismic activity and apply to defer the well. Activities that are designed to locate a prospect may be substituted, provided PIRSA are satisfied that the alternative work activity is technically robust and will meet or

exceed the objective of the original work commitment. Work substitution will be valued on the basis as used for bid assessment (see bid assessment policy).

JGGM/EA
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