



Australian Government
Department of Industry, Science,
Energy and Resources

OFFICIAL: SENSITIVE

Minister for Resources, Water and Northern Australia

Min ID: MS21-000773

For Action

Subject: BEETALOO COOPERATIVE DRILLING PROGRAM GRANT DECISIONS

Timing: s47C

Recommendations: That you

1. **Approve** the recommended applications, noting that the Department will determine the final grant amount during the contract negotiation phase based on the identified ineligible expenditure and inform you of the final amount (see Attachment A).

Approved/Not approved/Please discuss

s47C

s47C

s22

Keith Pitt

Date: 17/6 /2021

Comments: Coordinated advice with NT Senator.

Key Points:

1. This brief seeks your decision to approve three applications under the Beetaloo Cooperative Drilling Program (BCDP) (see Attachment A). Under the guidelines (see Attachment B), you are the final decision maker for which grants to approve, taking into account the advice of an expert assessment committee and the availability of grant funds. Up to \$50 million is available in funding for BCDP grants from 1 July 2021 to 30 June 2023 to accelerate exploration and appraisal activities for prospective gas resources in the Beetaloo sub-basin.
2. In making these decisions you are subject to the requirements of the Public Governance Performance and Accountability Act 2013 (PGPA Act) and the Commonwealth Grants Rules and Guidelines (CGRGs) (see Attachment C).
3. The assessment committee met on 27 May 2021 and 1 June 2021 and assessed the three eligible applications against the BCDP assessment criteria (which includes environmental approvals and other NT Government regulatory requirements), value for money and the program objectives and outcomes.

OFFICIAL: SENSITIVE

OFFICIAL: SENSITIVE

4. Imperial Oil & Gas Pty Ltd were the applicant of the three eligible applications and sought total funding of \$21,806,453 for three wells (Carpentaria 2, 3 and 4). The assessment committee assessed all three applications as being satisfactory and in accordance with the program guidelines. Imperial Oil and Gas Pty Ltd's three drilling projects will likely generate over \$70 million of additional investment.

s47E(d)

7. You approved the legislative instrument to expend Commonwealth monies for the BCDP and it was registered with the Federal Register of Legislation on 14 May 2021. This allows you to make spending decisions for the program s47E(d)

s47E(d)

Data referenced: Nil.

Consultation: Yes. AusIndustry, relevant policy areas, Legal.

Clearance Officer:

s22

Resources Strategy Branch
Resources Division

s22

Contact Officer:

s22

A/g Manager, Strategic Basin Plans

s22

MLO Version: 16/6/2021

ATTACHMENTS

- A: BCDP Recommended Projects
B: Program Guidelines
C: Governance and Program Background
D: Disallowance Motion Legal Advice, Background and Handling Options

OFFICIAL: SENSITIVE

ATTACHMENT A

Beetaloo Cooperative Drilling Program – Committee Recommendations and Minister Decision

AusIndustry will conduct thorough cost checks of eligible activities and expenditure prior to executing grant agreements. Details regarding ineligible expenditure are in Further Information.

	Applicant	Project Description	Identified Ineligible Expenditure	Project State	Project Value	Grant Sought	Indicative Final Amount (inc. removal of ineligible expenditure)	Committee Supported	Minister Decision
1	Imperial Oil & Gas Pty Limited	Empire Beetaloo Acceleration Program - Carpentaria-2 Horizontal Well	<i>Horizontal drilling costs</i> <i>Fracture costs</i> <i>Existing fracking stages under EMP</i>	NT	\$29,256,325	\$7,314,081	<i>Final figure to be determined in contract negotiation once costings received *</i>	Yes	Yes/No
2	Imperial Oil & Gas Pty Limited	Empire Beetaloo Acceleration Program - Carpentaria-3 Horizontal Well	<i>Nil</i>	NT	\$27,969,489	\$6,992,372	\$6,992,372	Yes	Yes/No
3	Imperial Oil & Gas Pty Limited	Empire Beetaloo Acceleration Program - Carpentaria-4 and 3D Seismic	<i>Reduction in rig mobilisation costs</i> <i>3D seismic activity</i>	NT	\$35,369,489	\$7,500,000	\$6,562,372 **	Yes	Yes/No

* The committee recommended the removal of costs related to horizontal drilling and fracture as it does not meet eligibility requirements 5.1 of the program guidelines.

** The committee recommended the removal of costs related to 3D seismic activities and recommended reduction for Mobilisation (details below) as it does not meet the overall program objectives. This figure has been determined from initial costings provided by Imperial Oil & Gas Pty Limited however this figure will likely change during contract negotiations.

Further Information

The program assessment committee considered that all three applications had satisfied the assessment criteria of the program guidelines, were value for money and would achieve the program objectives and outcomes.

The assessment committee recommends these applications with certain conditions imposed on the value of eligible activities and expenditure. AusIndustry will conduct thorough cost checks of eligible activities and expenditure prior to executing grant agreements to ensure:

- reasonable mobilisation costs are claimed for Carpentaria 4 – account for cost efficiencies if all projects are approved – the committee recommends \$500,000 as more reasonable over \$3.2 million for these costs;
- reasonable project time factors and risk costs – avoiding double dipping caused by increasing projects days (due to risk) when a risk cost factor already exists;
- horizontal section drilling at the planned Carpentaria 2 drill site and the costs of an initial 12 stages of fracturing for that section are to be excluded from eligible project costs as they replace planned activities at the Carpentaria 1 drill site and cannot be considered additional activity. Rather than pursuing a 12 stage frack at Carpentaria 1, Imperial will now pursue a 25 stage frack at Carpentaria 2. The additional 13 frack stages at Carpentaria 2 are therefore considered to eligible under the guidelines; and
- 3D seismic tests proposed in Carpentaria 4 are excluded from projects costs – not deemed a necessary project element and the committee recommends to reduce the total project value by \$6,420,000, thereby reducing the 25 per cent cap that Imperial Oil & Gas Pty Ltd are eligible to claim.

ATTACHMENT C

Program Governance – CGRGs, Appropriation and Spending proposal and Background**Commonwealth Grants Rules and Guidelines requirements**

Accordance with the *Industry Research and Development Act 1986 (IR&D Act)*, *Public Governance, Performance and Accountability Act 2013 (PGPA Act)* and *Commonwealth Grants Rules and Guidelines (CGRGs)*

IR&D Act, PGPA Act and CGRGs

The funding recommendations to which this brief relates are subject to the IR&D Act and PGPA Act. In addition, as this spending proposal meets the definition of a grant, they are also subject to the CGRGs.

The CGRGs require that the department advise you that the spending proposal is a grant, outline the applicability of the PGPA Act and the CGRGs including any reporting obligations, advise the assessment and selection process, and include the merits of the proposed grants relative the program guidelines as well as value for money.

s47E(d)

s47E(d)

1. Assessment Process

Assessment Process

In finalising recommendations for funding, the Committee reviewed applications against the following project merit criteria:

- a) The project contributes to understanding of petroleum resource prospects in the Beetaloo sub-basin (Satisfactory/Unsatisfactory);
- b) Capacity, capability and resources to deliver the project (Satisfactory/Unsatisfactory); and
- c) Impact of the grant funding on the project (Satisfactory/Unsatisfactory).

Prior to being reviewed by the Committee, the department carried out due diligence activities on all aspects of eligibility in accordance with the requirements in the Program Guidelines.

Assessment Committee

The assessment committee consists of three members: s22

Resources Division, DISER; s22

GeoScience Australia and s22

s22 Northern Territory Government.

The program received 6 application from two businesses to date. s47E(d)

The assessment committee met on s47E(d) and assessed three applications against the assessment criteria, value for money and the program objectives and outcomes.

Merits of the proposed grants

The Committee and the department are satisfied that the spending proposal represents value for money, a proper use of Commonwealth resources and is an efficient, effective, economical and ethical use of resources that is consistent with the policies of the Commonwealth.

2. Grants in the Minister's electorate

Consistent with the CGRGs, you may approve grants within your own electorate. Where you exercise the role of approver for grants awarded in your electorate, you must write to the Minister for Finance advising of the details.

There are no applications located in your electorate.

Approving grants that are not recommended

If you choose to approve an application that was rated as unsupported for funding you are required to report annually to the Finance Minister on all instances where you have decided to approve a particular grant which was recommended to be rejected. The report must include a brief statement of reasons (i.e. the basis of the approval for each grant) and be provided to the Finance Minister by 31 March each year for the preceding calendar year.

There are no applications that were 'not supported' for funding by the Committee.

3. Appropriation and Spending Proposal

s47E(d)

s47E(d)

4. Program Overview

The \$50 million Beetaloo Cooperative Drilling Program (the program) is a component of the [Beetaloo Strategic Basin Plan](#) delivered under the Australian Government's broader Gas-fired recovery plan. The program is designed to encourage investment by accelerating exploration and appraisal activities in the Beetaloo sub-basin within a time-defined window. The program will run over two years from 2021-22 to 2022-23, with an aim to accelerate exploration efforts by the end of 2022. Allocation of the funding will be subject to demand.

The objectives of the program are to:

- accelerate exploration and appraisal activities for prospective petroleum resources in the Beetaloo sub-basin
- incentivise drilling in the Beetaloo sub-basin to deliver approximately ten additional wells to build a comprehensive understanding of the resources.

Grants will be paid up to 25 per cent of eligible project expenditure (grant percentage), with the minimum grant amount of \$750,000 and a maximum grant amount is capped at \$7.5 million per well.

Applications can be submitted until the available funding for this grant opportunity is fully subscribed, or by 30 June 2022, whichever occurs earlier. You must submit an application per well and can submit a maximum of three applications.

The maximum project period is up to two years.

It is expected that proposed exploration and appraisal activities occur prior to the end of the 2022 calendar year.

Eligibility

To be eligible for the program, applicants must be an entity incorporated in Australia and a trading corporation with an Australian Business Number (ABN) and hold a petroleum exploration permit or retention licence from the Northern Territory Government, and have commenced all necessary approval processes to undertake petroleum exploration onshore.