

## PETROLEUM AMENDMENT BILL

### EXPLANATORY NOTE

*Clause 1* relates to the Short Title.

*Clause 2* amends section 5A of the principal Act, which relates to extending the term of prospecting licences when the original 5-year term has expired.

At present, only 1 extension of 5 years may be granted.

The amendments provide for 2 extensions, the first for 5 years and the second for any period not exceeding 5 years.

In addition, before being granted the first extension, a licensee must submit a written programme of work which in the Minister's opinion will provide for the satisfactory exploration of the licence area. If the licensee does so and if he has substantially complied with the conditions of the licence, an extension of 5 years must be granted.

A second extension will be at the discretion of the Minister and will be subject to such conditions as he thinks fit to impose.

**NOTE**—The clause will not apply to existing prospecting licences, and the present section 5A will apply to such licences.

*Clause 3* inserts a new section 5B in the principal Act.

The new section provides for the relinquishment of areas from a prospecting licence when it is extended.

On the first extension the licensee must relinquish not less than one-third of the area. On the second extension, he must relinquish not less than another one-third of the original area.

In both cases the area relinquished must be continuous and the licensee will have the right to choose which area he will relinquish.

**NOTE**—The new section 5B will not apply to existing prospecting licences.

*Clause 4* amends section 9 of the principal Act, which relates to the grant of mining licences.

*Subclause (1)* provides for every application for a mining licence to contain details of the programme of work proposed to be carried out. The Minister may decline to grant a licence until the programme is modified in such manner as he thinks fit.

In addition, it will be a condition of every licence that the licensee will diligently and continuously carry out the programme of work.

*Subclause (2)* amends the provisions relating to the term of mining licences.

At present, a mining licence may be granted for any term not exceeding 42 years, and may be renewed for a further term or terms. The aggregate of the original term and any extended term or terms must not exceed 63 years.

The amendments provide for the original term to be not more than 35 years and for the aggregate of terms to be not more than 45 years.

**NOTE**—The clause will not apply to existing mining licences, or to new mining licences received in exchange for existing prospecting licences, and the present section 9 will apply to such mining licences.

*Clause 5* amends section 12 of the principal Act, which relates to royalties.

At present the royalty is based on the selling rate of the petroleum produced.

The amendment provides for the royalty to be computed on the basis of the volume or energy content of the petroleum produced.

In addition, the clause provides that the Minister may at any time reduce the rate of royalty payable under a mining licence or a prospecting licence, and may increase the rate of royalty so payable at intervals of not less than 7 years after—

- (a) The date on which any such licence was granted; or
- (b) The date on which the rate of royalty was last increased; or
- (c) In the case of a mining licence granted in exchange for a prospecting licence, the date on which the prospecting licence was granted or the date on which the rate of royalty payable under the prospecting licence was last increased.

**NOTE**—The clause will not apply to existing mining or prospecting licences, or to new mining licences received in exchange for existing prospecting licences, and the present section 12 will apply to such licences.

*Clause 6* amends section 15 of the principal Act. That section prohibits the sale, assignment, or transfer of a licence without the Minister's consent.

The amendment extends the operation of the section to include the grant of options to buy.

Hon. Mr Gandar

## PETROLEUM AMENDMENT

### ANALYSIS

Title	3. Relinquishment of areas from prospecting licences
1. Short Title	4. Grant of mining licences
2. Extension of term of prospecting licence	5. Royalties payable
	6. Assignment of licences

### A BILL INTITULED

#### An Act to amend the Petroleum Act 1937

BE IT ENACTED by the General Assembly of New Zealand in Parliament assembled, and by the authority of the same,  
5 as follows:

**1. Short Title**—This Act may be cited as the Petroleum Amendment Act 1972, and shall be read together with and deemed part of the Petroleum Act 1937\* (hereinafter referred to as the principal Act).

10 **2. Extension of term of prospecting licence**—(1) Section 5A of the principal Act (as inserted by section 3 (1) of the Petroleum Amendment Act 1955) is hereby amended by repealing subsection (2), and substituting the following subsections:

\*1957 Reprint, Vol. 11, p. 693

Amendments: 1962, No. 127; 1965, No. 14; 1967, No. 132

“(2) The Minister, if he is satisfied that the holder of a prospecting licence has substantially complied with the conditions of the licence, and if the licensee has submitted a written programme of work which in the Minister’s opinion will provide for the satisfactory exploration of the area comprised in the licence for a further period of 5 years, shall, subject to section 5B of this Act, on the application of the licensee made before the expiration of the licence, extend the term of the licence for a further period of 5 years. Notwithstanding anything to the contrary in this Act, on the grant of such an extension it shall be a condition of the licence that the licensee will diligently and continuously carry out the programme of work.

“(3) The Minister, on the application of the licensee made before the expiration of the extended term, may, subject to section 5B of this Act, in his discretion and subject to such conditions as he thinks fit to impose, further extend the term of the licence for a third period not exceeding 5 years. Notwithstanding anything to the contrary in this Act, on the grant of such a further extension all conditions so imposed shall be conditions of the licence.

“(4) The aggregate of the term of any original licence and the term or terms of any extension or extensions thereof shall not exceed 15 years.

“(5) Nothing in this section shall in any way limit or affect any other provision of this Act relating to the suspension, amendment, or modification of obligations or conditions.”

(2) Nothing in this section shall apply to any prospecting licence which was in force immediately before the commencement of this Act, and section 5A of the principal Act shall apply to every such licence until it expires as if this section had not been enacted.

### **3. Relinquishment of areas from prospecting licences—**

(1) The principal Act is hereby further amended by inserting, after section 5A (as so inserted), the following section:

“5B. (1) If the term or terms of a prospecting licence, or group of prospecting licences granted in respect of a continuous area and having the same date of expiry, is or are to be extended in accordance with subsection 2 of section 5A of this Act, the licensee shall relinquish from the licence or licences an area of not less than one-third of the total area comprised in the licence or licences.

“ (2) If the term or terms of a prospecting licence, or group of prospecting licences granted in respect of a continuous area and having the same date of expiry, is or are to be further extended in accordance with subsection (3) of section 5A of this Act, the licensee shall relinquish from the licence or licences a further area of not less than one-third of the total area originally comprised in the licence or licences.

“ (3) The following provisions shall apply in respect of the relinquishment of an area from every prospecting licence or group of licences under subsection (1) and (2) of this section:

“ (a) Subject to the provisions of this section, the licensee shall have the right to choose which area he will relinquish:

“ (b) The area to be relinquished shall be continuous, whether the relinquishment is from 1 licence or from a group of licences:

“ (c) The licensee shall, before the expiry of the term or extended term of the licence, give a written notice to the Under-Secretary containing a description of the area not being relinquished, together with a map or chart, certified as correct by the Surveyor-General, delineating that area.

“ (4) If a licensee fails to comply with the provisions of subsection (3) of this section, the Minister may in his discretion decline to extend or further extend the term of his licence.”

(2) Nothing in this section shall apply to any prospecting licence which was in force immediately before the commencement of this Act.

30 **4. Grant of mining licences—**(1) Section 9 of the principal Act is hereby amended by repealing subsection (2), and substituting the following subsections:

35 “ (2) Every application for a mining licence shall contain or be accompanied by a written statement specifying the details of the programme of work proposed to be carried out; and, notwithstanding anything to the contrary in this Act, the Minister may in his discretion decline to grant a mining licence until the programme is modified in such manner as he thinks fit.

40 “ (2A) Notwithstanding anything to the contrary in this Act, every mining licence shall be deemed to be granted subject to the condition that the licensee will diligently and continuously carry out the programme of work referred to in subsection (2) of this section in a workmanlike manner and  
45 in accordance with recognised good oilfield practice.”

(2) The said section 9 is hereby further amended by repealing subsection (7), and substituting the following subsections:

“(7) Every mining licence shall remain in force for a period of 35 years after the date on which it was granted, or for such shorter period as may be specified in the licence, and shall then expire. 5

“(7A) On receiving an application from a licensee not earlier than 12 months and not later than 3 months before the date of expiry of his licence, the Minister may, subject to subsection (7B) of this section, in his discretion renew the licence for such period as the Minister thinks fit, if the licensee has substantially complied with the conditions of the licence. 10

“(7B) The aggregate of the term of any mining licence and the term or terms of any renewal or renewals thereof shall not exceed 45 years.” 15

(3) Nothing in this section shall apply to any mining licence which was in force immediately before the commencement of this Act, or to any mining licence received after the commencement of this Act in exchange for a prospecting licence which was so in force, and section 9 of the principal Act shall apply to every such mining licence until it expires as if this section had not been enacted. 20

**5. Royalties payable**—(1) Section 12 of the principal Act is hereby amended by repealing subsection (1), and substituting the following subsections: 25

“(1) Subject to the provisions of this section, every holder of a mining licence or a prospecting licence shall pay to the Crown a royalty computed at the rate specified in the licence on the basis of the volume or energy content of all crude petroleum, casinghead spirit, and natural gas that is produced from the land comprised in the licence. Different rates of royalty may be specified in respect of different parts of the land comprised in the licence. 30

“(1A) Subject to the provisions of this section, the Minister may in his discretion at any time reduce the rate of royalty payable under a mining licence or a prospecting licence, and may in his discretion increase the rate of royalty so payable at intervals of not less than 7 years after— 35

“(a) The date on which any such licence was granted, whether or not it has been extended or renewed; or 40

“(b) The date on which the rate of royalty was last increased; or

- “ (c) In the case of a mining licence granted in exchange for a prospecting licence, the date on which the prospecting licence was granted or the date on which the rate of royalty payable under the prospecting licence was last increased.”
- 5 (2) The said section 12 is hereby further amended by repealing subsections (3) and (4).
- 10 (3) Nothing in this section shall apply to any mining licence or prospecting licence which was in force immediately before the commencement of this Act or to any mining licence received after the commencement of this Act in exchange for a prospecting licence which was so in force, and section 12 of the principal Act shall apply to every such mining licence or prospecting licence until it expires as if this section had not been
- 15 enacted.

**6. Assignment of licences**—Section 15 of the principal Act is hereby amended by repealing subsection (1), and substituting the following subsections:

20 “(1) It shall not be lawful to sell, assign, transfer, or otherwise deal with any licence, or to grant an option in respect of the sale, assignment or transfer of, or of any other dealing with, any licence, without the prior written consent of the Minister. Any contract, agreement, trust, or arrangement to deal with, or purporting to deal with, any licence in contravention of

25 this section shall be null and void.

“ (1A) Any sale, assignment, or transfer of a licence resulting from the exercise of any option established by an agreement previously consented to by the Minister in accordance with subsection (1) of this section shall not have any force or effect

30 until the document or documents purporting to effect the sale, transfer, or assignment have been registered with the Under-Secretary in the register of licences, but it shall not be necessary to obtain the Minister’s consent unless in the Under-Secretary’s opinion the terms of the sale, assignment, or transfer have been

35 substantially altered from those expressed in the option agreement.”