

21 June 2018



**To:**  
**Emma Reid**  
**Assistant Manager,**  
**Offshore Exploration Section | Offshore Resources Branch | Resources Division**  
**Department of Industry, Innovation and Science**  
**Level 5, 10 Binara Street, Canberra City ACT 2601**  
**Email: [petroleum.exploration@industry.gov.au](mailto:petroleum.exploration@industry.gov.au)**

**Re: Offshore Exploration Policy Reforms - Proposed Acreage Release Optimisation**

Dear Emma,

The International Association of Geophysical Contractors (IAGC) appreciates the opportunity to comment on the proposed Offshore Exploration Policy Reforms recently released by the Department of Industry.

IAGC is the international trade association representing the industry that provides geophysical services (geophysical data acquisition, processing and interpretation, geophysical information ownership and licensing, associated services and product providers) to the oil and natural gas industry. IAGC member companies play an integral role in the successful exploration and development of offshore and onshore hydrocarbon resources through the acquisition and processing of geophysical data.

Overall, the proposed changes to the Offshore Petroleum Exploration Acreage Policy are positive and our members feel that their input into the early consultation process was beneficial which is clearly demonstrated by the small number concerns raised during this final stage of consultation. The overall process has been very transparent with the aim to make the acreage release more transparent, predictable, and streamlined with the reduced timeframe for each stage in the process.

### **3.1.2.3 Genuine Intent to Explore**

In this section, the DoI introduces two new requirements that they expect will be met by any company nominating areas for inclusion in the Gazettal process:

- For an exploration and production company, it would generally be expected that nomination will be followed by participation in the bidding process.
- For a geophysical company, it would be expected that new data is being acquired and made available.

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Should these requirements be adopted, they would introduce new hurdles that are contrary to the Multi-Client business model. The formula for a successful Multi-Client business model includes investing in acquiring new exploration datasets in advance of nominations, often covering held and vacant acreage with the expectation of being able to nominate future blocks in the area of that past survey.

Our investments are intended to be a catalyst to new exploration, which *may* include further new data being acquired – however the intent to acquire new data should not be the only requirement for block nomination. This effectively would eliminate Multi-Client companies from the block nomination process and leave any existing datasets at the mercy of exploration companies to nominate acreage covered by these existing datasets.

Suggested revision to this section:

For a geophysical company, it would be expected that non-exclusive data is currently available or new data is being acquired and made available.

The geophysical industry in Australia has seen a decrease in pre-licensing data to evaluate gazettal acreage and an increase in bid to license of multi-client datasets included in bids as a proposed work commitment. This often eliminates financial commitment to a new non-exclusive dataset until award of acreage. The ability for geophysical companies to acquire new data in frontier and unleased acreage is the first step towards developing new resource plays as Multi-Client seismic surveys provide the necessary information of the subsurface structure to governments and E&P companies. Thus, nominating new acreage based off these multi-client surveys plays a preeminent role in the exploration industry, delivering powerful insight into the energy resources available beneath the subsurface.

#### **4.2 Good Standing**

We are in support of more transparency and efficacy of the Good Standing Agreement (GSA) Policy. We would support a more detailed list of the projects that could be considered ‘regional studies’ including those with geophysical and environmental objectives.

It is understood there is currently procedures in place for companies to publish when they enter into a Good Standing Agreement, however it would be beneficial for increased transparency to create a public register of Good Standing Agreements and negotiated terms maintained by the DoI or other relevant departments.

#### **5. Next Steps**

Suggested points for consideration.

1. Does the proposed timing for consultation/bidding/considering offers pose any concerns for you/your business?

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IAGC Response:

Introducing a single bidding period of 9 months and removal of the Cash bidding will streamline the process and be positive for maximising bids.

If Environmental stakeholders are known during the nominations process, it would be beneficial for the nominator to include these as a transparent consideration into the future consultation process.

2. What is the best way to communicate the opening of consultation processes and dates for bidding etc. with you/your business? Do you subscribe to the Australian Petroleum News?

IAGC Response:

Yes, the majority of our members subscribe to Australian Petroleum News.

3. Is the likely variability of the number of areas available for bidding in each release a concern for managing workload within your business/organisation?

IAGC Response:

We have no concerns over the variability in workload in terms of assessing available areas each year. Geophysical contractors are active in reviewing open areas year-round, and each maintain internal geophysical and geological reviews for areas of opportunity.

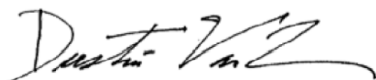
4. Will information such as the total number of bids received, areas that were highly sought after, and areas that received no bids be useful for you/your business? Is there additional information that could be made publicly available that would be useful? Are there any risks in providing that information?

IAGC Response:

It would be very beneficial if a summary of submitted bids was publicised including number of bidders overall and number of bids per gazettal permit.

We appreciate the opportunity to comment on the proposed Offshore Exploration Policy Reforms and are available for further discussions at your convenience. If you would like to discuss any of the points raised in more detail, please do not hesitate to contact Alyse Blake (Alyse.Blake@pgs.com) or myself.

Sincerely,



Dustin Van Liew  
VP, Regulatory and Governmental Affairs  
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Geophysical surveys are conducted on either a multi-client or proprietary basis. Proprietary or exclusive surveys are acquired by a geophysical company for an individual client who owns the data, and they usually cover limited acreage.

In contrast, multi-client surveys are acquired by the geophysical company for its own use and are generally collected over large acreage. The geophysical company owns the data which it then markets and licenses to as many clients as possible, making the survey less expensive on a per-unit-area basis than proprietary data and driving interest in the potential leasing acreage.

MULTI-CLIENT ACQUISITION	PROPRIETARY OR EXCLUSIVE ACQUISITION
<ul style="list-style-type: none"> <li>Develops a product with geophysical data available for licensing</li> </ul>	<ul style="list-style-type: none"> <li>Provides a service with geophysical data only available to the E&amp;P company</li> </ul>
<ul style="list-style-type: none"> <li>Geophysical company designs survey based on market (E&amp;P companies) interests – developing prospects, delineating reservoirs and for use in preparing for future licensing rounds (lease sales)</li> </ul>	<ul style="list-style-type: none"> <li>Geophysical Company and E&amp;P company enter into agreement for acquisition of geophysical data over a pre-determined area (e.g. acreage under lease)</li> </ul>
<ul style="list-style-type: none"> <li>Geophysical company bears all risk, pays cost of project (financial risk can be mitigated by pre-financing from customers)</li> </ul>	<ul style="list-style-type: none"> <li>Geophysical Company provides the vessel(s) and crews to acquire data</li> </ul>
<ul style="list-style-type: none"> <li><b>Geophysical company owns the geophysical data</b></li> </ul>	<ul style="list-style-type: none"> <li><b>E&amp;P company owns the geophysical data</b></li> </ul>
<ul style="list-style-type: none"> <li>Lower cost of the data to users (E&amp;P companies), allowing more investment in other E&amp;P activities</li> </ul>	<ul style="list-style-type: none"> <li>E&amp;P company pays full cost of project (no risk to geophysical company)</li> </ul>
<ul style="list-style-type: none"> <li>Geophysical company promotes (markets) the data which in turn drives interest in licensing (leasing) acreage</li> </ul>	<ul style="list-style-type: none"> <li>Cost of geophysical data is on a per acre basis, which is much higher than if only licensed. Cost of acquisition is dependent on supply/demand of vessel and crew.</li> </ul>

Today, the multi-client data business model plays a preeminent role in the geophysical industry. IAGC's members acquire the majority of marine 3D data around the world and a large proportion of the land and transition zone (e.g. shallow waters or nearshore areas) 3D data in North America on a multi-client basis. The industry continues to acquire large multi-client 2D surveys in frontier basins and these surveys play a very important role in exploration.

The multi-client data licensing business model has significant economic advantages for E&P companies, host governments and geophysical companies. The multi-client business model spreads the costs of data acquisition and processing over time and among multiple customers. Under the model, the geophysical company initiates and conducts projects of general industry interest at its own financial risk. Restricted non-transferrable data-user licenses are then sold to individual E&P companies for a fraction of the cost of acquiring and processing the data themselves allowing multiple E&P companies the opportunity to evaluate resource potential in particular area along geological trends that will facilitate higher exploration and development success rates.

STAKEHOLDER	BENEFITS OF MULTI-CLIENT BUSINESS MODEL
<b>E&amp;P Company</b>	<ul style="list-style-type: none"> <li>• Access to high quality data for a fraction of the cost of exclusive proprietary ownership</li> <li>• Allows company to prospect on trend or regional basis – facilitating higher exploration and development success rates</li> <li>• Ability to “ramp up” knowledge base very quickly using available “off the shelf” data</li> <li>• Lowers the economic hurdles to exploring and producing oil and gas, therefore allowing smaller E&amp;P companies access and entry to riskier and often more expensive plays</li> <li>• Improves the efficiency of E&amp;P investments, resulting in more investments</li> <li>• Reduced risk associated with survey permissions, acquisition and data processing</li> </ul>
<b>Host Government</b>	<ul style="list-style-type: none"> <li>• Lower barriers to entry for E&amp;P companies thus promoting more active and competitive licensing rounds</li> <li>• Rapid and efficient development of reserves</li> <li>• Provides data to make decisions about operational matters</li> <li>• Provides opportunity to create subsurface maps that can help in the stewardship of the natural resources</li> </ul>
<b>Geophysical Contractor</b>	<ul style="list-style-type: none"> <li>• Opportunity to showcase new technology to a broader client base as well as to governments (new acquisition and processing technology)</li> <li>• Greater control in deployment of assets</li> </ul>

## ***Where the Multi-Client Business Model is Successful***

The multi-client business model continues to be the most beneficial and successful on the U.S. Gulf of Mexico continental shelf, the Norwegian continental shelf and onshore North America, where there exists a robust multi-client investment market and corresponding successful exploration efforts.

Although the U.S. and Norwegian governments have different approaches to confidentiality of data and leasing or licensing of acreage for oil and gas exploration, typically multi-client geophysical data is available for licensing for two or more lease sales or licensing rounds in both markets. The lease sales or licensing rounds and acreage “turnover” are predictable, which is important to encouraging a geophysical company’s investment to conduct a multi-client survey. Lease sales or licensing rounds are scheduled in advance with a clear indication of the acreage that will be included, allowing geophysical companies to plan and execute seismic projects based on acreage that will be made available for leasing or licensing.

In addition, the confidentiality period for multi-client data in these regions is comparably longer than in other countries, allowing the seismic contractor the opportunity to achieve a reasonable return on their investment. These regions are also competitive with major international and

independent E & P companies actively and successfully acquiring open acreage.

The competitive markets provide more buyers of multi-client geophysical data. In turn, the multi-client data promote competitive lease sales or licensing rounds and ensure that host governments receive market value for the hydrocarbon resource.

The multi-client business model can benefit stakeholders in regions that include some key characteristics:

- Licensing rounds or lease sales are held regularly, on schedule, with pre-determined areas available for licensing or leasing announced well in advance of each licensing round or lease sale;
- Smaller parcels (acreage) are offered for licensing or leasing, thus promoting greater competition for acreage;
- The confidentiality period (sometimes called exclusivity period) for the multi-client geophysical data is a minimum of 15 years, allowing the data owner multiple licensing rounds or lease sales to market the multi-client geophysical data; and
- At the expiry of the confidentiality period, only the processed data is available for release to the public.

## ***Data Licensing Agreement: Integral Element of the Multi-Client Business Model***

When a geophysical company sells the right to use its multi-client data, it enters into a data licensing agreement with its client. The licensing agreement governs the client's use of the geophysical data (as well as products derived directly from the data), protecting and preserving the geophysical company's valuable intellectual property in the data.

The licensing agreement establishes that the data is the property of the geophysical company and the client licensee is granted the right to use the data to conduct internal business, but is prohibited from disclosing, transferring or copying the data to any other parties, including by means of asset sales or corporate mergers.

## ***Multi-Client Business Model: The Exploration Approach of Choice***

The multi-client business model delivers preferred data products to the marketplace, making it the exploration model of choice by E&P companies. The revenue generated by the business model helps pay for research and development in new acquisition and processing technologies that improve subsurface imaging and assure vital efficiency gains needed for the future of exploration. The future of the geophysical industry and its continued capital investment in new data and technology that will fuel future successful exploration efforts will depend on the continued viability and success of the multi-client business model.

The multi-client survey acquisition business model has been a proven successful for decades. However, there are threats that jeopardize the viability of this model. These include but are not limited to changes in the terms of confidentiality periods, issuing tenders for multi-client geophysical data for projects that are actually proprietary, thus negating the cost-benefit of economies of scale as well as the intended use of data licensing agreements.

Large regional multi-client surveys are beneficial to host countries offering areas for leasing and an economical option for companies exploring for oil and gas and will continue to help expedite development of oil and gas reserves around the world.

### ***IAGC Vision Statement***

***The International Association of Geophysical Contractors is the most credible and effective voice for promoting and ensuring a safe, environmentally responsible and competitive geophysical industry.***