

## Cash Bidding

The annual release of quality offshore petroleum exploration acreage is the first step in the search for petroleum in Australia's offshore sedimentary basins. From 2014, a cash bidding system has been used to allocate offshore petroleum exploration permits in mature areas or areas known to contain petroleum accumulations.

Mature areas are comprised of a graticular block or adjoining graticular blocks that are adjacent to known discoveries, retention leases and/or production licences, and is/are covered by appropriate 3D seismic surveys. Known areas are comprised of a graticular block or adjoining graticular blocks containing a petroleum pool or part of a petroleum pool from which petroleum has been recovered.

Cash bidding is an equitable, economically efficient and administratively simple system of permit allocation. It also encourages more effective activities in areas where only minimal further exploration may be required. The Australian Government recognises that, in a global context, most of Australia's petroleum basins have been lightly explored and for these areas the existing work program bidding system will continue.

Details on how to lodge a cash bid are available on the [How to Bid](#) page.

## Details on cash bid areas and the process

### Selection of areas

As part of the acreage selection process, stakeholders are invited to nominate vacant areas to be considered for inclusion in the annual Offshore Petroleum Exploration Acreage Release (the acreage release). The Australian Government will determine whether a nominated area is suitable for cash bidding or work program bidding. Nomination of an area does not guarantee its inclusion in the acreage release. Areas selected for cash bidding will typically be mature areas or areas known to contain petroleum accumulations.

### Size of areas

Areas released for cash bidding will generally be small and up to six graticular blocks. This is reflective of the selection criteria, that vacant acreage remaining in mature areas or areas containing known petroleum accumulations are small in size. It also facilitates a targeted approach to the provision of pre-competitive data to encourage the successful bidder to identify drillable prospects and move to production at the earliest stage.

### Security of tenure

Cash bid exploration permits provide security of tenure with an initial six year permit term. The Australian Government Gazette notice will advise if the permit can be renewed. As with work program exploration permits, a cash bid permit that is granted over one graticular block cannot be renewed beyond the initial six year term.

## **Reserve price**

The Joint Authority will determine a reserve price for each cash bid area prior to the area being announced as part of the annual acreage release. The reserve price will be undisclosed.

## **Conditions of a cash bid exploration permit**

A cash bid exploration permit may be offered subject to title conditions. If conditions will be placed on the title, these will be included in the Australian Government Gazette at the time of release or the successful bidder will be notified, prior to accepting an offer of the grant of a cash bid permit. Cash bid permits will not be subject to work program conditions.

## **What if no bids are received?**

If there are no bids received for a cash bid area, the area will be passed in and revert to vacant acreage. Areas offered for cash bidding will not be re-released and are generally not considered for future acreage releases as a work program area unless incorporated into a larger area.

## **Publication of information**

The name of the winning bidder, the amount of the winning bid and the number of bids received will be made available through a media release issued by the Minister for Resources and Northern Australia, once the permit has been granted.

The title instrument on the National Electronic Approvals Tracking System will provide details of the titleholders, the graticular block(s) and Map Sheet reference contained within the permit area, the date of grant of the permit and the amount paid for the permit.

## **Acceptance of an offer for a cash bid exploration permit**

Following the cash bid auction, the successful applicant will receive an offer from the Joint Authority for a cash bid exploration permit. The applicant has 14 days to accept the offer and submit payment of the balance of the cash bid sum.

## **Tie-breaker for equivalent bids**

In the event two highest bidders submit equal cash bids for an area at or over the reserve, the applicants will each be invited to submit a second cash bid that exceeds their original bid. No further deposit is required.

In the event that the applicants remain tied after the second bid, the cash bid exploration permit will be offered to the first applicant to submit their second bid on a 'first in' basis, determined by the electronic time stamp at which the second bids are received (or in the event that neither submits a higher bid, the area will be offered to the applicant whose first bid was received earliest).

## **Refusing an offer**

An applicant who is offered a cash bid exploration permit is entitled to refuse to accept the offer, but will forfeit their deposit. The cash bid exploration permit must be offered to the next highest eligible bidder where that bidder proposes an amount at or over the reserve.

## **Special Provisions – highest bid is less than the reserve price (undisclosed reserve)**

In the event the highest bidder for an area proposes an amount less than the reserve (where undisclosed), the Joint Authority may make a one-time offer to the highest bidder. If there are two equal highest bidders under the undisclosed reserve, the Joint Authority may offer the area at the reserve price to the highest bidder whose bid was received first. If the applicant does not accept the offer to match the reserve price, it will not forfeit its deposit.

## **Refunds for unsuccessful applicants**

Deposits will be refunded to unsuccessful bidders.

## **Foreign investment requirements**

Potential applicants are encouraged to contact the Foreign Investment Review Board when considering prequalification and bidding at [firbenquiries@treasury.gov.au](mailto:firbenquiries@treasury.gov.au).

All tax inquiries should be directed to the Australian Tax Office at [ato.gov.au](http://ato.gov.au).

## **Further information**

For further information on cash bidding, please refer to the [Cash Bidding Guideline](#) or visit [nopta.gov.au/legislation-and-compliance](http://nopta.gov.au/legislation-and-compliance). For all other inquiries please email [petroleum.exploration@industry.gov.au](mailto:petroleum.exploration@industry.gov.au).