



MAY 2006

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## RESOURCES



### Inside:

Preferred tenderers for first Queensland 'hot rocks' exploration permits announced

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## Preferred tenderers for first Queensland 'hot rocks' exploration permits

The preferred tenderers for the first geothermal exploration permits in Queensland were announced on 21 April 2006. Lawyer John Hedge reviews the rights and obligations that will attach to these permits and the implications for other Queensland mineral and petroleum tenement holders.

### Hot rocks in Queensland

Significant areas of south-west Queensland contain potential resources of 'hot dry rocks', which are extremely high temperature granite rocks found deep below the earth's surface. The heat of these hot rocks can be harnessed via the injection of water to generate electricity.

These resources are regulated under the *Geothermal Exploration Act 2004* (Qld), which treats exploration for hot rocks in a similar way to existing Queensland legislation regulating exploration for minerals and petroleum.

### Successful tenderers

The preferred tenderers for the five geothermal exploration permits were recently announced following completion of a competitive tender process conducted under Chapter 3 (sections 16-34) of the *Geothermal Exploration Act* which began in October 2005. The permits and preferred tenderers are:

- GL2005A (located between Boulia and Winton) – Red Hot Rocks Pty Ltd;
- GLR005B (located between Boulia and Winton) – Red Hot Rocks Pty Ltd;

- GLR005D (located west of Thargomindah) – Red Hot Rocks Pty Ltd;
- GLR005E (located west of Thargomindah) – Geodynamics Limited; and
- GLR005F (located west of Thargomindah) – Geodynamics Limited.

According to the ministerial announcement, the combined proposed geothermal exploration expenditure in these areas is estimated to be more than \$46 million.

## Rights and obligations of permits

The permits will grant the rights to carry out geothermal exploration within the permit area, take and use underground water and take samples as part of that exploration. Permits can only be granted for a term of up to five years, and there is no provision for the renewal of a permit.

The obligations are generally similar in nature to a mining exploration tenement, including obligations such as compliance with work programs, payment of rent, restoring improvements damaged by the exploration activities, provision of security, and reporting requirements (including reporting annually on exploration activities, results, and expenditure).

The safety obligations under the *Petroleum and Gas (Production and Safety) Act 2004* and corresponding regulations apply to all facilities or plant used in geothermal exploration activities, and the minister may require the tenderer to obtain an environmental authority.

## Overlapping minerals and petroleum tenements

There is nothing preventing the grant or renewal of geothermal exploration permits over land in the area of existing mineral or petroleum tenements (or the grant of mineral or petroleum tenements over land within a geothermal exploration permit). However, in the event of such overlapping tenements:

- geothermal exploration cannot be carried out to the extent it adversely affects the carrying out of an activity under a mineral or petroleum tenement which has already started;
- authorised activities under prospecting permits, mineral development licences or exploration permits (granted under the *Mineral Resources Act 1989* (Qld)) cannot be carried out to the extent they

adversely affect the carrying out of geothermal exploration which has already started; and

- authorised activities under authorities to prospect, water monitoring authorities, data acquisition authorities, and pipeline licences where carried out on pipeline land (defined under the *Petroleum Act 1923* (Qld) or the *Petroleum and Gas (Production and Safety) Act*) cannot be carried out to the extent they adversely affect the carrying out of geothermal exploration which has already started.

It is implicit in this hierarchy, and in the absence of a similar hierarchy in the relevant mining and petroleum legislation, that production rights under mining or petroleum leases are intended to take precedence over geothermal exploration activities (and can be carried out even if they adversely affect geothermal exploration), with rights under exploration and other non-production tenements taking precedence according to the time activities commence.

In addition, mining claims cannot be granted over areas within a geothermal exploration permit (without the geothermal exploration permit holder's consent), and applicants for a mining lease within the area of a geothermal exploration permit are required to obtain the permit holder's written views on the mining lease application.

In the event of a call for tenders for geothermal exploration permits being made in an area overlapping with an existing mineral or petroleum tenement, the existing tenement holder is entitled to make submissions to the minister about the call for tenders.

## The future – development and exploitation of hot rocks

The Geothermal Exploration Act currently only regulates exploration. However it is envisaged that ultimately a full regime allowing development and exploitation of the 'hot rocks' will be developed.

With other states, such as Victoria and South Australia, already having legislative regimes covering the production or extraction of geothermal energy and a growing emphasis on environmentally friendly power sources (supported by regimes such as renewable energy certificates), it is likely the Queensland legislation will be amended in the near future to ensure Queensland does not miss out on investment opportunities in what appears set to become a growth industry.

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## For further information, please contact:

**John Greig**  
Partner, Brisbane  
Ph: +61 7 3334 3358  
[John.Greig@aar.com.au](mailto:John.Greig@aar.com.au)

**Tony Wassaf**  
Partner, Sydney  
Ph: +61 2 9230 4783  
[Tony.Wassaf@aar.com.au](mailto:Tony.Wassaf@aar.com.au)

**Scott Langford**  
Partner, Melbourne  
Ph: +61 3 9613 8926  
[Scott.Langford@aar.com.au](mailto:Scott.Langford@aar.com.au)

**Nic Tolé**  
Partner, Perth  
Ph: +61 8 9488 3762  
[Nic.Tole@aar.com.au](mailto:Nic.Tole@aar.com.au)

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