

QRO Online guide: Petroleum

General information

Petroleum royalty is payable on the volume of petroleum produced by a petroleum producer (producer) during a royalty return period (return period) that is not exempt from royalty. The amount of royalty payable by a producer depends on the type of petroleum produced (domestic gas, project gas, supply gas or liquid petroleum) and the basis on which the royalty rate is determined for the producer.

A *producer* includes:

- for petroleum produced from a petroleum tenure under the *Petroleum and Gas (Production and Safety) Act 2004* (the Act) or the *Petroleum Act 1923* (the 1923 Act)—the petroleum tenure holder who produces it or for whom it is produced
- for petroleum that is incidental coal seam gas mined under s.318CM of the *Mineral Resources Act 1989*—the coal or oil shale mining lease holder who mines it or for whom it is mined
- for petroleum that is coal seam gas mined under a mineral hydrocarbon mining lease—the coal or oil shale mining lease holder who mines it or for whom it is mined
- a person who has applied to, and been approved by, the Commissioner of State Revenue (the Commissioner) to be taken to be a petroleum producer for petroleum royalty purposes in relation to a stated amount of petroleum produced as part of a particular petroleum operation.

Petroleum is *produced* when it is:

- recovered to ground level from a natural underground reservoir in which it has been contained
- released to ground level from a natural underground reservoir from which it is extracted.

Petroleum royalty is calculated, and obligations such as royalty return lodgement are imposed, on the basis of petroleum operations, rather than on the basis of individual wells or petroleum tenures.

Petroleum types

The screenshot shows a web interface for selecting petroleum types. At the top, there is a dropdown menu labeled 'Petroleum'. Below it, there are two sub-sections: 'Gas' and 'Liquid petroleum'. Each sub-section has a 'Select' radio button and a 'Deselect' radio button. There is also a blue information icon (i) in the top right corner of the interface.

Petroleum produced by a producer in a return period is:

- **gas** if the petroleum is in a gaseous state at standard temperature and pressure (an absolute pressure of 101.325kPA at a temperature of 15°C)
- **liquid petroleum** if the petroleum is in a liquid state (for example, oil or condensate).

Select the types of petroleum produced during the return period.

The [Classification of petroleum position paper](#) provides guidance on the classification of petroleum for petroleum royalty purposes.

Production and volume subject to royalty

▼ Petroleum
1

▼ Gas

Select Deselect

Gas production

Volume produced during royalty return period

Volume

*GJ

Petroleum not subject to royalty

Flaring or venting - production testing

Other

Volume subject to royalty

GJ

GJ

GJ

Gas type

▼

- Domestic Gas
- Project Gas
- Supply Gas

The [Measurement of petroleum position paper](#) provides guidance on the measurement of petroleum for petroleum royalty purposes.

Field	Guidance
Volume produced during royalty return period	Enter the volume of gas produced during the return period. This includes all gas, including gas which is exempt from petroleum royalty.
Flaring or venting—production testing	<p>Enter the volume of gas produced during the return period that is exempt from petroleum royalty on account of being flared or vented as part of testing for petroleum production from a petroleum well (<i>production testing</i>), having regard to the following:</p> <ul style="list-style-type: none"> • Royalty is only payable on the amount of the petroleum flared or vented during the testing period (as defined below) that is more than 3,000,000m³ where all the following apply <ul style="list-style-type: none"> – a producer carries out production testing in relation to a particular petroleum well (the <i>relevant well</i>) – petroleum produced from the relevant well is coal seam gas or natural gas – the gas is flared or vented – the gas is, within the testing period, produced as part of the production testing. • The <i>testing period</i> is the shorter of 13 months from the start of the production testing from the relevant well, or the sum of all periods for which production testing from the relevant well is permitted to be carried out.

Field	Guidance
	<ul style="list-style-type: none"> Royalty applies to any petroleum that is produced flared or vented during the return period as part of production testing <ul style="list-style-type: none"> after the testing period for the relevant well (even if the aggregate amount of petroleum flared or vented by the end of the testing period was less than 3,000,000m³) during the testing period for the relevant well, in excess of 3,000,000m³.
Other	<p>Enter the volume of gas produced during the return period that is exempt from petroleum royalty (other than on account of being flared or vented during production testing).</p> <p>Under the Act, petroleum is exempt from petroleum royalty if the Commissioner is satisfied:</p> <ul style="list-style-type: none"> the petroleum was unavoidably lost before it could be measured the petroleum is sourced from a tenure granted under the Act or the 1923 Act and is used in the production of petroleum from the tenure that, before the petroleum was produced in Queensland, it was produced outside Queensland and injected or reinjected into a natural underground reservoir in Queensland petroleum royalty has already been paid on the petroleum or the petroleum was flared or vented as part of testing for the presence of petroleum during the drilling of a well. <p>Petroleum will cease to be exempt from petroleum royalty (and will therefore be subject to petroleum royalty) where it becomes the property of the state under Chapter 2, Part 6, Division 3 of the Act.</p>
Volume subject to royalty	This will populate on clicking 'Calculate'.
Gas type	Select the types of gas produced during the return period.

▼ Liquid petroleum

Select Deselect

Liquid petroleum production	Volume
*Volume produced during royalty return period	BBL <input style="width: 80%;" type="text"/>
Volume not subject to royalty	BBL <input style="width: 80%;" type="text"/>
Volume subject to royalty	BBL <input style="width: 80%;" type="text"/>

Field	Guidance
Volume produced during royalty return period	Enter the volume of liquid petroleum produced during the return period. This includes all liquid petroleum, including liquid petroleum which is exempt from petroleum royalty.
Volume not subject to royalty	Enter the volume of liquid petroleum produced during the return period that is exempt from petroleum royalty.

Field	Guidance
	<p>Under the Act, petroleum is exempt from petroleum royalty if the Commissioner is satisfied:</p> <ul style="list-style-type: none"> the petroleum was unavoidably lost before it could be measured the petroleum is sourced from a tenure granted under the Act or the 1923 Act and is used in the production of petroleum from the tenure that, before the petroleum was produced in Queensland, it was produced outside Queensland and injected or reinjected into a natural underground reservoir in Queensland petroleum royalty has already been paid on the petroleum or the petroleum was flared or vented as part of testing for the presence of petroleum during the drilling of a well. <p>Petroleum will cease to be exempt from petroleum royalty (and will therefore be subject to petroleum royalty) where it becomes the property of the state under Chapter 2, Part 6, Division 3 of the Act.</p>
Volume subject to royalty	This will populate on clicking 'Calculate'.

Benchmark price

▼ Domestic gas

Domestic gas

Volume subject to royalty Benchmark price for period

*GJ \$ / GJ

▼ Project gas

Project gas

Volume subject to royalty Benchmark price for period

*GJ \$ / GJ

▼ Supply gas

Supply gas

Volume subject to royalty Benchmark price for period

*GJ \$ / GJ

Liquid petroleum

Benchmark price for period

\$ / BBL

Field	Guidance
Volume subject to royalty	Enter the volume of gas of the particular type produced during the return period. This field applies only to domestic gas, project gas and supply gas.
Benchmark price for period	This will populate on clicking 'Calculate'.

Average sales price determination

The following guidance discusses how to complete the royalty return in relation to domestic gas. The royalty return is identical in relation to all three types of gas (domestic gas, supply gas and project gas) and liquid petroleum, except where noted below.

The royalty rate applying to a particular type of petroleum produced during a return period is calculated with reference to the *average sales price* for that type for the return period. For a particular petroleum type for a particular return period, the average sales price is either:

- worked out with reference to a formula (the average sales price formula) which takes into account relevant sales data (the formula method)
- equal to the benchmark price for the petroleum type for the return period (the benchmark price method).

The formula method applies for determining the average sales price, unless one of the circumstances exists in which the benchmark price method applies instead. That is, a producer does not need to elect to use the formula method, but may elect not to use it, or be prevented from using it, in certain circumstances.

The average sales price formula determines the average sales price for a particular petroleum type produced by a producer during a particular return period by dividing the total revenue or deemed sales value from all relevant sales for that petroleum during the return period, by the total volume of product (gas, LNG or liquid petroleum, as the case may be) sold in those sales.

The average sales price formula only takes into account gas, LNG or liquid petroleum that is sold—that is, gas, LNG or liquid petroleum that is not sold (e.g. gas transferred for no consideration, flared or used) is not relevant for that formula. The royalty rate determined with reference to the average sales price calculated by the average sales price formula will be applied to the total volume of petroleum of that type produced, including the amount that is not sold.

The benchmark price method will apply for determining the royalty rate for a return period (that is, the average sales price will be equal to the benchmark price) for a particular petroleum type where:

- an election made by the producer in a previous return period to use the benchmark price method is in effect
- the Commissioner considers it is appropriate, for the protection of the public revenue, for the benchmark price method to apply
- the producer does not provide, for an assessment, the information required to work out the average sales price using the average sales price formula
- for domestic gas, supply gas or liquid petroleum—no relevant sales occur during the return period to a person who is not a relevant entity for the producer (an independent buyer)—that is, either there are no sales at all, or the only relevant sales are to persons who are not independent buyers)
- for project gas—no relevant sales occur during the return period to a person who is neither a member of the LNG project nor a relevant entity for a member of the LNG project (an unrelated buyer)—that is, either there are no sales at all, or the only relevant sales are to persons who are either a member of the LNG project or a relevant entity for a member of the LNG project.

The [Determination of petroleum royalty rates position paper](#) provides guidance on how the royalty rate is determined for each petroleum type, including how to determine the average sales price using the formula method or the benchmark price method.

Where the benchmark price method applies for a particular petroleum type for a return period because of a previous election by the producer or a decision by the Commissioner, the following message will display:

Domestic gas - Average sales price (ASP) determination

 Average sales price is the benchmark price as a Commissioner determination is in place or you have elected to use the benchmark price in a previous period.

Where the producer has not previously elected to use the benchmark price method for the particular petroleum type, and the Commissioner has not previously decided that it should apply, a series of questions will be asked to determine whether the formula method or the benchmark price method applies for the petroleum type for the return period. These questions are cascading, in that the response to a particular question will determine which, if any, of the subsequent questions display.

Domestic gas - Average sales price (ASP) determination

*Do you elect to have the average sales price for domestic gas be the benchmark price for this and subsequent royalty return periods?

Yes No

*I have read the [Benchmark election information](#) and understood the consequences of the election.

Royalty - Domestic gas

Average sales price Royalty rate

\$ / GJ \$ / GJ

Royalty payable

\$

Field	Guidance
<p>Do you elect to have the average sales price for [the petroleum type] be the benchmark price for this and subsequent royalty return periods?</p>	<p>As noted above, a producer can elect to have the average sales price for a particular petroleum type be determined using the benchmark price method (instead of the formula method). This election will remain in force in subsequent return periods, unless the Commissioner approves its withdrawal following an application by the producer.</p> <p>To make this election, select Yes, and check the box that then displays to indicate that the linked information in relation to the consequences of making the election has been read and understood.</p> <p>As the average sales price will be determined using the benchmark price method, no further questions will display.</p>

Domestic gas - Average sales price (ASP) determination

*Do you elect to have the average sales price for domestic gas be the benchmark price for this and subsequent royalty return periods?

Yes No

*Do you have all [relevant sales](#) data for all relevant sales during the royalty return period?

Yes No

*During the royalty return period, did you sell any gas (either directly, or through one or more resellers) to at least one person who is an independent buyer but not an LNG project buyer?

Yes No

Relevant sales

*Revenue from sales to independent buyers

\$

*Volume sold to independent buyers

GJ

*Volume sold other than to independent buyers

GJ

Royalty - Domestic gas

Average sales price

\$ / GJ

Royalty rate

\$ / GJ

Royalty payable

\$

Project gas - Average sales price (ASP) determination

*Do you elect to have the average sales price for project gas be the benchmark price for this and subsequent royalty return periods?

Yes No

*Do you have all [relevant sales](#) data for all relevant sales during the royalty return period?

Yes No

*During the royalty return period, did any member of the relevant project sell LNG to at least one unrelated buyer?

Yes No

Relevant sales

*Revenue from sales to unrelated buyers

\$

*Volume sold to unrelated buyers

GJ

*Volume sold other than to unrelated buyers

GJ

Royalty - Project gas

Average sales price

\$ / GJ

Royalty rate

\$ / GJ

Royalty payable

\$

Supply gas - Average sales price (ASP) determination

*Do you elect to have the average sales price for supply gas be the benchmark price for this and subsequent royalty return periods?

Yes No

*Do you have all [relevant sales](#) data for all relevant sales during the royalty return period?

Yes No

*During the royalty return period, did you sell any gas (either directly, or through one or more resellers) to at least one person who is both an independent buyer and an LNG project buyer?

Yes No

Relevant sales

*Revenue from sales to independent buyers *Volume sold to independent buyers *Volume sold other than to independent buyers

\$ GJ GJ

Royalty - Supply gas

Average sales price Royalty rate

\$ / GJ \$ / GJ

Royalty payable

\$

Liquid petroleum - Average sales price (ASP) determination

Do you elect to have the average sales price for liquid petroleum be the benchmark price for this and subsequent royalty return periods?

Yes No

*Do you have all [relevant sales](#) data for all relevant sales during the royalty return period?

Yes No

*During the royalty return period, did you sell any oil or condensate (either directly, or through one or more resellers for you) to at least one independent buyer?

Yes No

Relevant sales

*Revenue from sales to independent buyers *Volume sold to independent buyers *Volume sold other than to independent buyers

\$ BBL BBL

Royalty - Liquid petroleum

Average sales price Royalty rate

\$ / BBL \$ / BBL

Royalty Payable

\$ / BBL

The above screenshots show the full range of questions that may display for each petroleum type. As noted, whether a particular question displays depends on the answer given to the preceding question.

Field	Guidance
Do you have all relevant sales data for all relevant sales during the royalty return period?	<p>The benchmark price method will apply for a particular petroleum type for a return period if a producer does not have all necessary information to be able to apply the formula method. Details of what constitutes relevant sales and relevant sales data for each petroleum type can be found in the linked guide.</p> <p>If this question is answered No, the average sales price will be determined using the benchmark price method and no further questions will display.</p>
During the royalty return period, did you sell any gas (either directly, or through one or more	<p>The benchmark price method will apply for domestic gas for a return period if no relevant sales were made to an independent buyer (i.e. either</p>

Field	Guidance
resellers) to at least one person who is an independent buyer but not an LNG project buyer?	<p>there are no sales at all, or the only relevant sales are to persons who are not independent buyers).</p> <p>If this question is answered No, the average sales price will be determined using the benchmark price method and no further questions will display.</p> <p>This field applies to domestic gas only.</p>
During the royalty return period, did any member of the relevant project sell LNG to at least one unrelated buyer?	<p>The benchmark price method will apply for project gas for a return period if no relevant sales were made to an unrelated buyer (i.e. either there are no sales at all, or the only relevant sales are to persons who are not either a member of the LNG project or a relevant entity for a member of the LNG project).</p> <p>If this question is answered No, the average sales price will be determined using the benchmark price method and no further questions will display.</p> <p>This field applies to project gas only.</p>
During the royalty return period, did you sell any gas (either directly, or through one or more resellers) to at least one person who is both an independent buyer and an LNG project buyer?	<p>The benchmark price method will apply for supply gas for a return period if no relevant sales were made to an independent buyer (i.e. either there are no sales at all, or the only relevant sales are to persons who are not independent buyers).</p> <p>If this question is answered No, the average sales price will be determined using the benchmark price method and no further questions will display.</p> <p>This field applies to supply gas only.</p>
During the royalty return period, did you sell any oil or condensate (either directly, or indirectly through one or more resellers for you) to at least one independent buyer?	<p>The benchmark price method will apply for liquid petroleum for a return period if no relevant sales were made to an independent buyer (i.e. either there are no sales at all, or the only relevant sales are to persons who are not independent buyers).</p> <p>If this question is answered No, the average sales price will be determined using the benchmark price method and no further questions will display.</p> <p>This field applies to liquid petroleum only.</p>

Relevant sales

The **Relevant sales** section for a particular petroleum type will only display if the questions in the **Average sales price determination** section are answered as shown in the screenshots on pages 6–8.

The revenue from a relevant sale to an independent buyer (in the case of domestic gas, supply gas or liquid petroleum) or an unrelated buyer (in the case of project gas):

- includes all amounts paid or payable by the purchaser in relation to the sale (including, but not limited to, transportation or other costs of the producer that are explicitly recovered from the purchaser in addition to the stated sales price), even if such amounts are invoiced separately
- does not include any amounts paid by a purchaser to a producer or a reseller for the producer on account of the recovery of the producer or reseller's liability for goods and services tax (GST) on taxable supplies made to the purchaser—that is, the revenue is to be expressed on a GST-exclusive basis

- is not reduced by
 - any costs of the producer, or a reseller for the producer, in relation to the particular gas, LNG or liquid petroleum (e.g. costs of production, processing or purchase)
 - any amount payable by the producer, or a reseller for the producer, to a purchaser, irrespective of whether the parties agree to offset such amounts against the amount payable to the producer or reseller
 - any amount invoiced by the producer, or a reseller for the producer, to a purchaser but not recovered from the purchaser (i.e. a bad debt).

All dollar amounts must be expressed in Australian dollars. The conversion of foreign currency into Australian dollars should use an exchange rate obtained from a consistent, reasonable external source. Examples of an exchange rate that is considered reasonable include:

- the WM/Reuters Australia Fix 10.00am or 4.00pm rate
- a rate published by a major Australian commercial bank or financial institution
- an exchange rate referred to in Schedule 2 of the Income Tax Assessment Regulations 1997 (Cwlth), subject to any limitations contained in that Schedule in relation to the calculation or use of such exchange rate, and the period selected for calculation of an average exchange rate being no longer than the return period.

Where gas or LNG is sold in units other than gigajoules, or liquid petroleum is sold in units other than barrels, the producer must:

- convert the units into gigajoules or barrels (as appropriate) using a consistent, reasonable conversion factor each return period
- keep records to support the conversion.

As relevant sales involve the transfer of title to petroleum, the Commissioner expects that the measurement of the volume sold in each relevant sale should be verifiable by a meter that meets the error tolerances required by the Act and the Petroleum and Gas (General Provisions) Regulation 2017.

Field	Guidance
Revenue from sales to independent buyers	Enter the total revenue from relevant sales to independent buyers for the particular petroleum type during the return period. This field applies to domestic gas, supply gas and liquid petroleum only.
Volume sold to independent buyers	Enter the total volume sold in relevant sales to independent buyers for the particular petroleum type during the return period. This field applies to domestic gas, supply gas and liquid petroleum only.
Volume sold other than to independent buyers	Enter the total volume sold in relevant sales to persons who are not independent buyers for the particular petroleum type during the return period. This field applies to domestic gas, supply gas and liquid petroleum only.
Revenue from sales to unrelated buyers	Enter the total revenue from relevant sales to unrelated buyers for project gas during the return period. This field applies to project gas only.
Volume sold to unrelated buyers	Enter the total volume sold in relevant sales to unrelated buyers for project gas during the return period. This field applies to project gas only.
Volume sold other than to unrelated buyers	Enter the total volume sold in relevant sales to persons who are not unrelated buyers for project gas during the return period. This field applies to project gas only.

Royalty

Field	Guidance
Average sale price	This will populate on clicking 'Calculate'.
Royalty rate	This will populate on clicking 'Calculate'.
Royalty payable	This will populate on clicking 'Calculate'.

Total royalty payable

\$

[Calculate](#)

Field	Guidance
Total royalty payable	This will populate on clicking 'Calculate'.