QRO Online guide: Petroleum produced before 1 October 2020

General information

For petroleum sourced from a tenure granted under the *Petroleum and Gas (Production and Safety) Act 2004* (the Act) or the *Petroleum Act 1923* (the 1923 Act), details must be provided for all petroleum disposed of in the royalty return period. This applies irrespective of whether the petroleum was: • produced before or during the return period • produced by the producer or by some other person • disposed of by the producer or by some other person • when (or if) the producer receives full or partial payment for any sale.
A producer *disposes* of petroleum if the producer: • sells or otherwise transfers ownership of the petroleum to another person • flares or vents the petroleum • uses the petroleum.
All amounts must be expressed in Australian dollars. The conversion of foreign currency into Australian dollars should use an exchange rate for the appropriate date obtained from a consistent, reasonable 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) (the ITAR), 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 royalty return period. For receipts, the appropriate date is: • the date of receipt of payment (irrespective of the date on which such amount is converted into Australian dollars, if at all) or • if payment has not been received by the time that the royalty return for the return period is lodged—the date of issue of the invoice. For payments, the appropriate date is: • the date of payment or • if the expense had not been paid by the time that the royalty return for the return period is lodged—the date of receipt of the invoice.
The value of petroleum is: • the amount that that petroleum could reasonably be expected to realise if it were sold on a commercial basis or • where a petroleum royalty decision applies—the amount stated in, or calculated in accordance with, the petroleum royalty decision.

The value is not reduced by any amount payable by the producer to the buyer (even if the parties agree to offset that amount against the sale price) or invoiced by the producer but not recovered from the buyer (i.e. a bad debt).

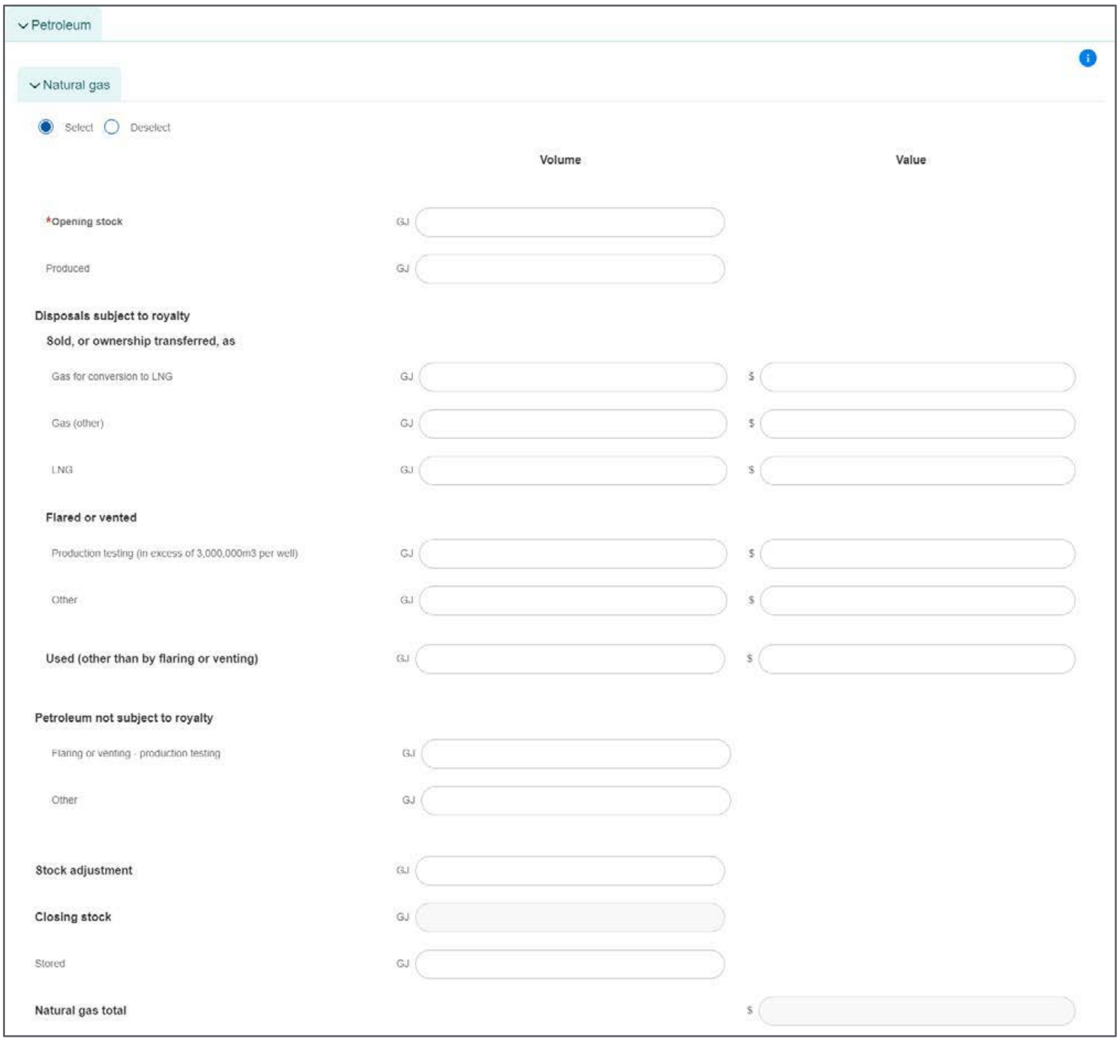
For more information, see Royalty Ruling PGA001.

Under the Act, petroleum is exempt from petroleum royalty if the Minister is satisfied:

- 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
- royalty has already been paid on the petroleum
- the petroleum was flared or vented as part of testing for the presence of petroleum during the drilling of a well.

Petroleum will cease to be exempt from royalty (and will therefore be subject to royalty) where it becomes the property of the state under Chapter 2, Part 6, Division 3 of the Act.

Natural gas and coal seam gas

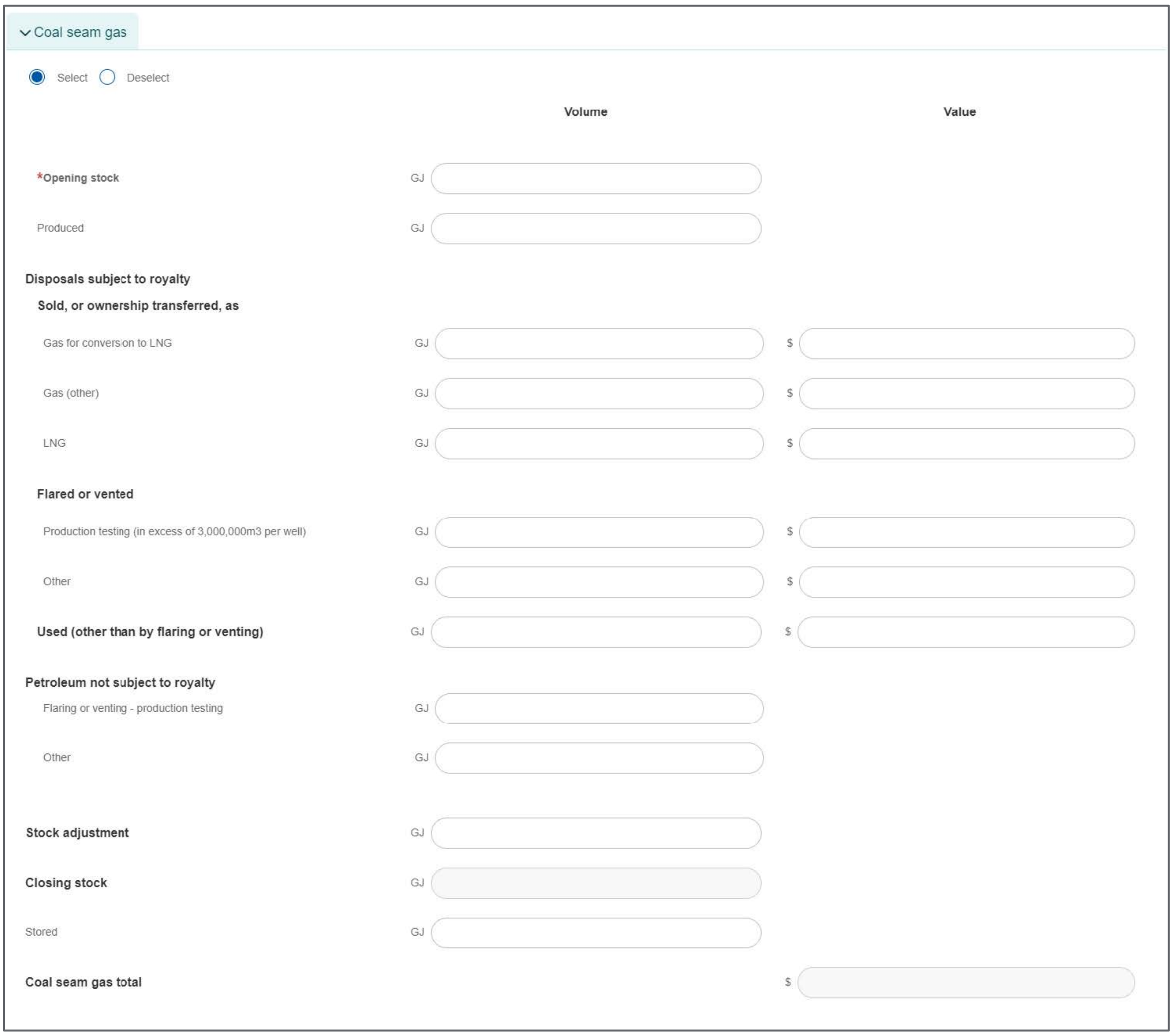


Petroleum

Natural gas

Select Deselect

	Volume	Value
*Opening stock	GJ	
Produced	GJ	
Disposals subject to royalty		
Sold, or ownership transferred, as		
Gas for conversion to LNG	GJ	$
Gas (other)	GJ	$
LNG	GJ	$
Flared or vented		
Production testing (in excess of 3,000,000m3 per well)	GJ	$
Other	GJ	$
Used (other than by flaring or venting)	GJ	$
Petroleum not subject to royalty		
Flaring or venting - production testing	GJ	
Other	GJ	
Stock adjustment	GJ	
Closing stock	GJ	
Stored	GJ	
Natural gas total		$



Coal seam gas

Select Deselect

	Volume	Value
*Opening stock	GJ	
Produced	GJ	
Disposals subject to royalty		
Sold, or ownership transferred, as		
Gas for conversion to LNG	GJ	$
Gas (other)	GJ	$
LNG	GJ	$
Flared or vented		
Production testing (in excess of 3,000,000m3 per well)	GJ	$
Other	GJ	$
Used (other than by flaring or venting)	GJ	$
Petroleum not subject to royalty		
Flaring or venting - production testing	GJ	
Other	GJ	
Stock adjustment	GJ	
Closing stock	GJ	
Stored	GJ	
Coal seam gas total		$

Field	Guidance
Opening stock	Enter the volume of petroleum on hand at the start of the return period.
Produced	Enter the total volume of petroleum produced during the return period (whether or not that petroleum is subject to royalty).
Gas for conversion to LNG (volume and value)	Enter the volume and value of petroleum sold or otherwise transferred during the return period in gas form for conversion to LNG (whether by the buyer or by some other person).
Gas (other) (volume and value)	Enter the volume and value of petroleum sold or otherwise transferred during the return period in gas form other than for conversion to LNG.
LNG (volume and value)	Enter the volume and value of petroleum sold or otherwise transferred during the return period as LNG (whether or not the conversion to LNG was by the producer or by some other person).
Production testing (in excess of 3,000,000m^3 per well) (volume and value)	Under the Act, petroleum that is flared or vented as part of testing for petroleum production from a petroleum well (*production testing*) is exempt from petroleum royalty in certain circumstances.

<table>
<tr><th>Field</th><th>Guidance</th></tr>
<tr><td></td><td>Royalty is only payable on the amount of the petroleum flared or vented during the testing period that is more than 3,000,000m^3 where all the following apply:
a producer carries out production testing in relation to a particular petroleum well (the relevant well)
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 (as defined below), produced as part of the production testing.
The testing period 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.

Royalty applies to any petroleum that is flared or vented during the return period as part of production testing:
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 3,000,000m^3)
during the testing period for the relevant well, in excess of 3,000,000m^3.
Enter the volume and value of such petroleum.</td></tr>
<tr><td>Other (volume and value)</td><td>Enter the volume and value of petroleum flared or vented (other than as part of production testing) during the return period.</td></tr>
<tr><td>Used (other than by flaring or venting) (volume and value)</td><td>Enter the volume and value of petroleum used by the producer during the return period.

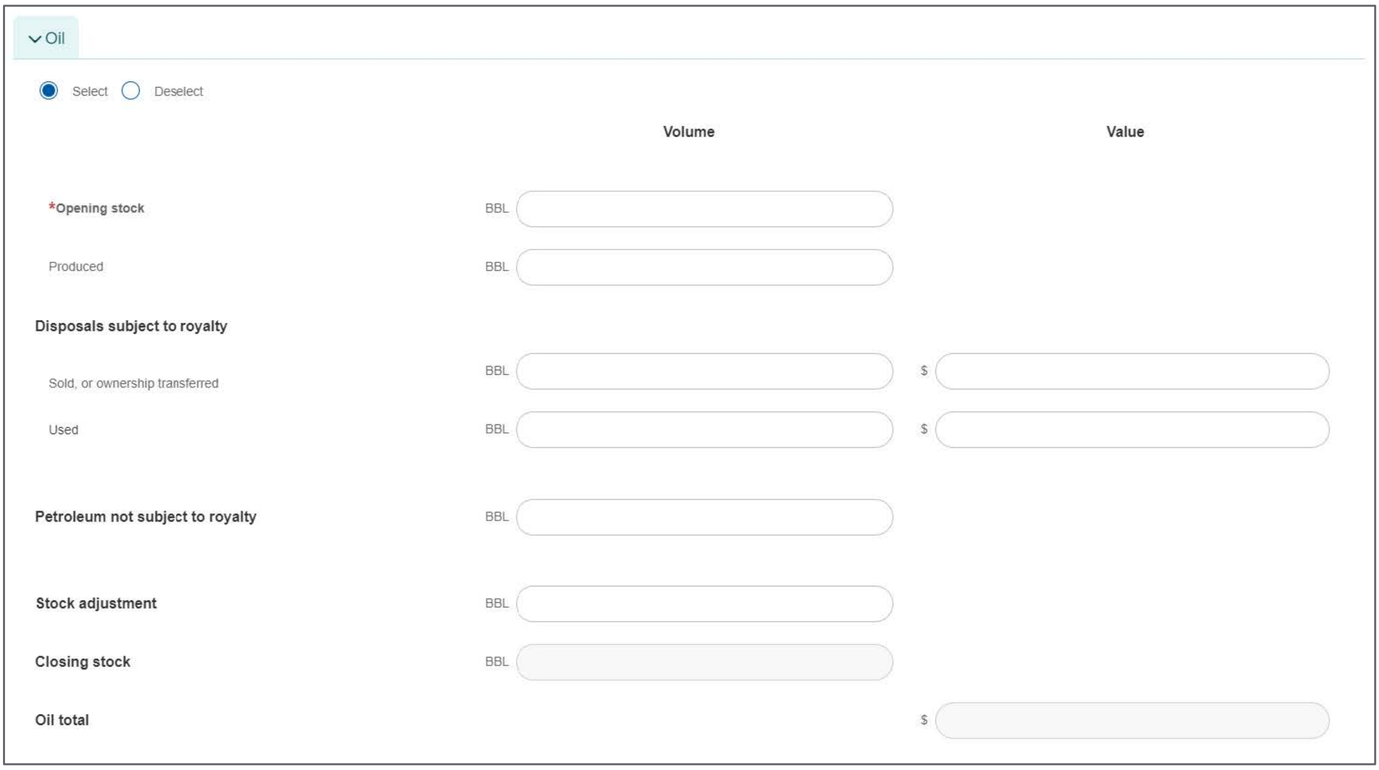
Petroleum sourced from a tenure granted under the Act or the 1923 Act that is used in the production of petroleum from that tenure is exempt from royalty. The volume of such petroleum used during the return period should be recorded in the Other (petroleum not subject to royalty) category, and not in this category.</td></tr>
<tr><td>Flaring or venting—production testing</td><td>Enter the volume of any petroleum that is exempt from petroleum royalty on this basis (i.e. the first 3,000,000m^3 of coal seam gas or natural gas produced during the testing period as part of production testing for the relevant well, and flared or vented)

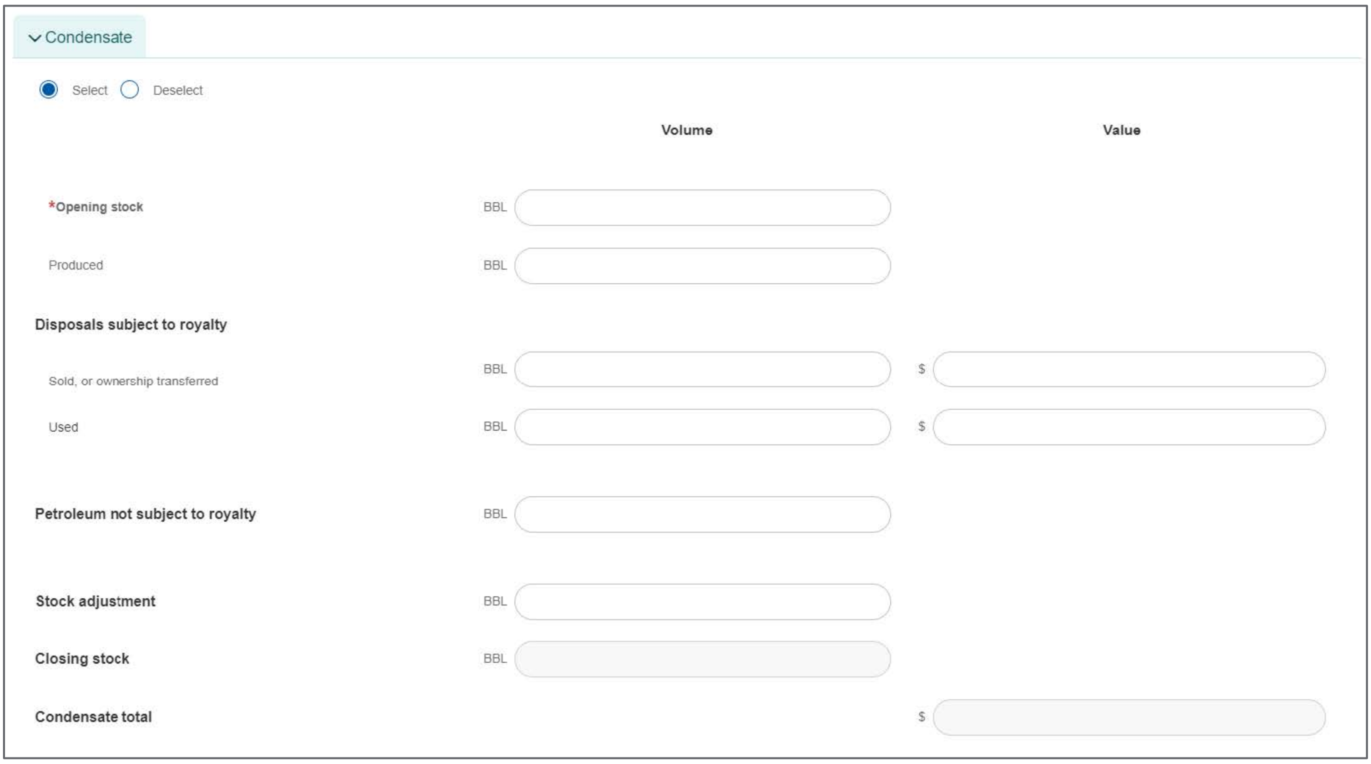
See the Production testing (in excess of 3,000,000m^3 per well) category for more information.</td></tr>
<tr><td>Other</td><td>Enter the volume of petroleum disposed of during the return period that is exempt from petroleum royalty (other than because it is flared or vented during production testing).

In addition to the exemptions outlined above, petroleum is also exempt from petroleum royalty:
if the Minister is satisfied that the petroleum is coal seam gas used for mining the coal that produced the gas, or
where the first underground mining of coal in a mining lease commenced before 31 December 2004, and the petroleum is produced on the mining lease and used beneficially for mining under the mining lease.
Where such petroleum is used to generate electricity that is only partly used for mining under the mining lease, the exemption applies only to the extent that the electricity is used for that purpose and not some other purpose.</td></tr>
</table>

Field	Guidance
Stock adjustment	Enter any variance in the volume on hand, other than due to disposal (e.g. a reduction in the volume of petroleum stored in a pipeline due to pressure and/or temperature changes) A reduction in volume should be entered as a negative. Records should be kept to explain any claimed stock adjustments.
Closing stock	This will populate on clicking ‘Calculate’.
Stored	Enter the volume of petroleum in storage at the end of the return period.
Natural gas total or **Coal seam gas total**	This will populate on clicking ‘Calculate’.

Oil, condensate and LPG

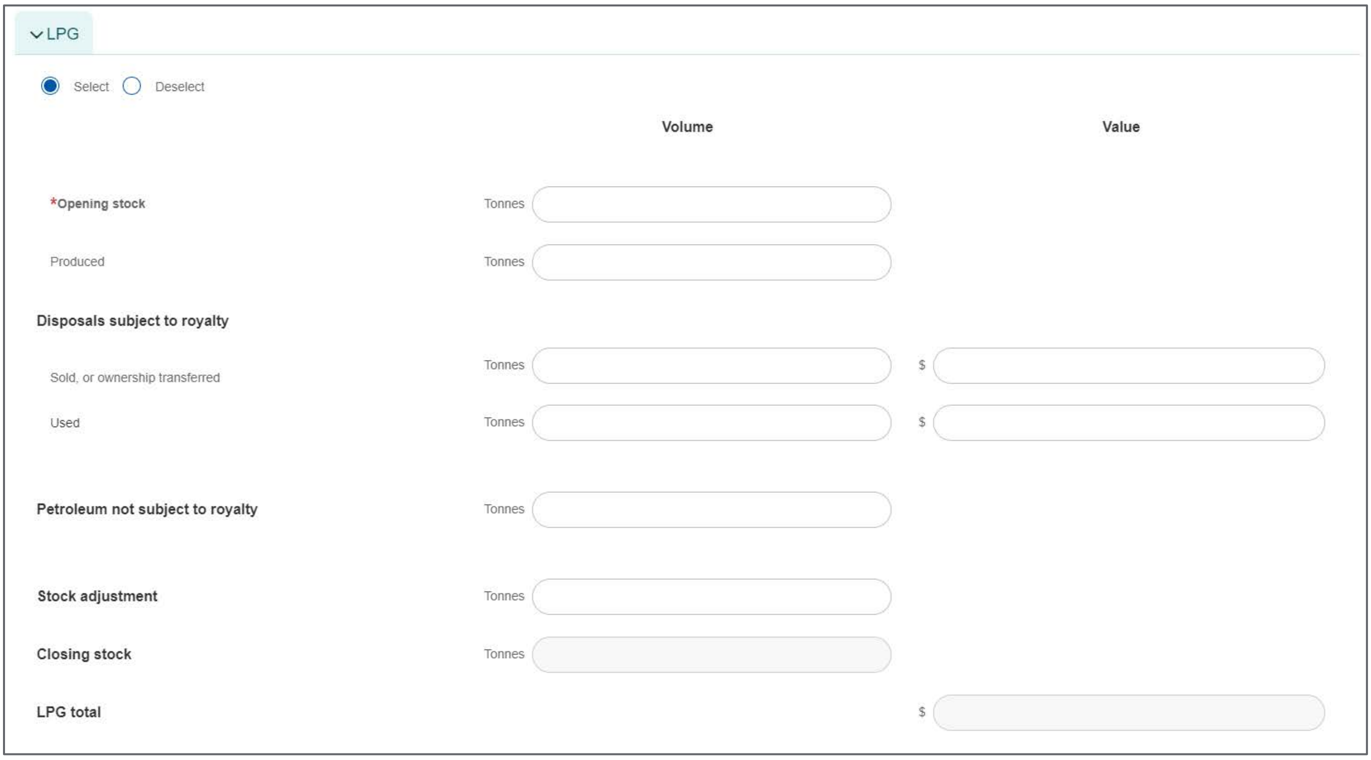




Condensate

Select Deselect

		Volume	Value
*Opening stock	BBL		
Produced	BBL		
Disposals subject to royalty			
Sold, or ownership transferred	BBL		$
Used	BBL		$
Petroleum not subject to royalty	BBL		
Stock adjustment	BBL		
Closing stock	BBL		
Condensate total			$



LPG

Select Deselect

		Volume	Value
*Opening stock	Tonnes		
Produced	Tonnes		
Disposals subject to royalty			
Sold, or ownership transferred	Tonnes		$
Used	Tonnes		$
Petroleum not subject to royalty	Tonnes		
Stock adjustment	Tonnes		
Closing stock	Tonnes		
LPG total			$

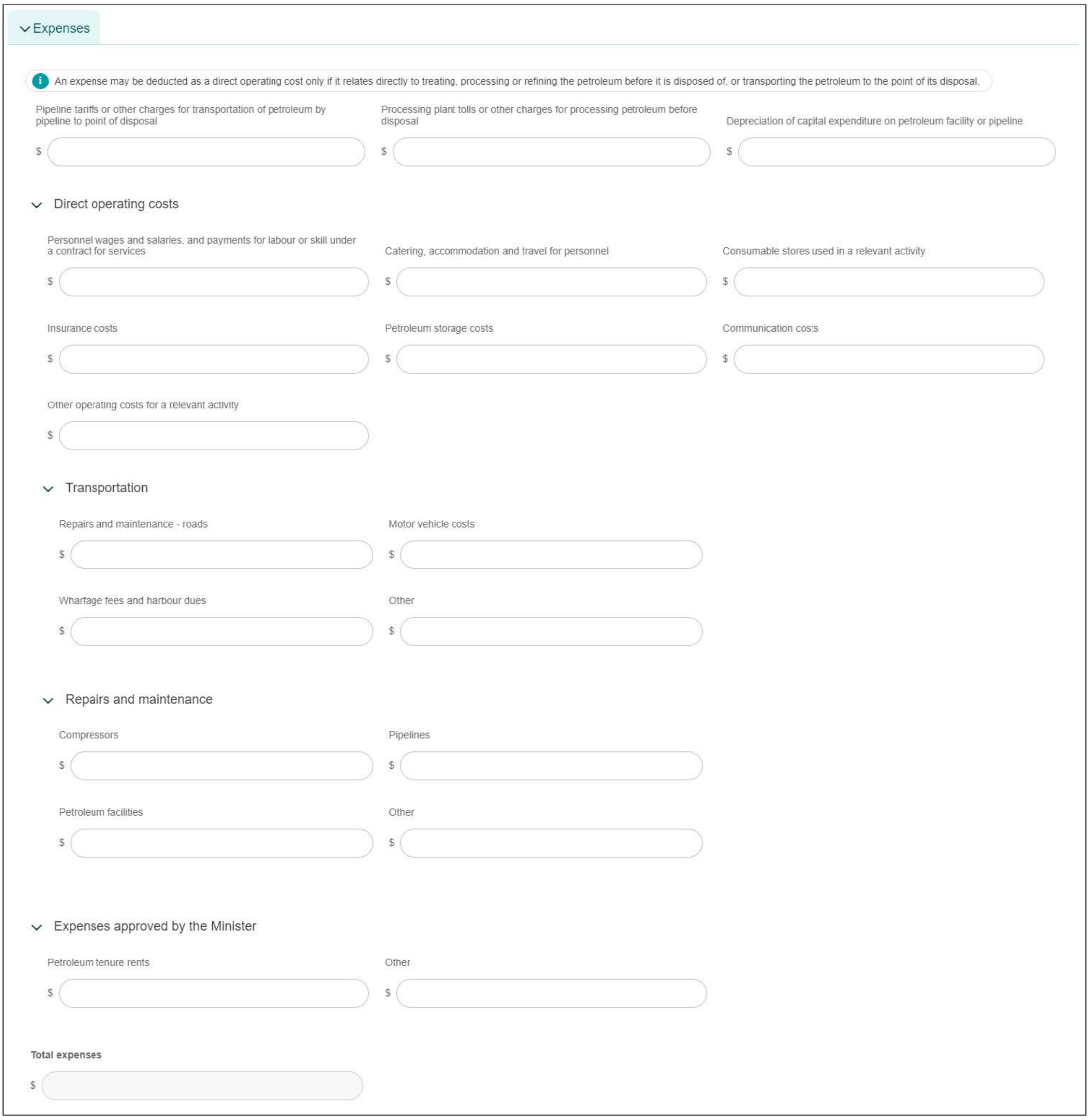
Field	Guidance
Opening stock	Enter the volume of petroleum on hand at the start of the return period.
Produced	Enter the total volume of petroleum produced during the return period (whether or not that petroleum is subject to royalty).

Field	Guidance
Sold, or ownership transferred (volume and value)	Enter the volume and value of petroleum sold or otherwise transferred during the return period.
Used (volume and value)	Enter the volume and value of petroleum used by the producer during the return period. Petroleum sourced from a tenure granted under the Act or the 1923 Act that is used in the production of petroleum from that tenure is exempt from royalty. The volume of such petroleum used during the return period should be recorded in the **Other** category, and not in this category.
Exempt volume	Enter the volume of petroleum disposed of during the return period that is exempt from petroleum royalty.
Stock adjustment	Enter any variance in the volume on hand, other than due to disposal (e.g. a reduction in the volume of petroleum stored in a pipeline due to pressure and/or temperature changes). A reduction in volume should be entered as a negative. Records should be kept to explain any claimed stock adjustments.
Closing stock	This will populate on clicking ‘Calculate’.
Oil total or **Condensate total** or **LPG total**	This will populate on clicking ‘Calculate’.

Total values of petroleum

Field	Guidance
Total values of petroleum	This will populate on clicking ‘Calculate’.

Expenses



Expenses

An expense may be deducted as a direct operating cost only if it relates directly to treating, processing or refining the petroleum before it is disposed of, or transporting the petroleum to the point of its disposal.

Pipeline tariffs or other charges for transportation of petroleum by pipeline to point of disposal $

Processing plant tolls or other charges for processing petroleum before disposal $

Depreciation of capital expenditure on petroleum facility or pipeline $

Direct operating costs

Personnel wages and salaries, and payments for labour or skill under a contract for services $

Catering, accommodation and travel for personnel $

Consumable stores used in a relevant activity $

Insurance costs $

Petroleum storage costs $

Communication costs $

Other operating costs for a relevant activity $

Transportation

Repairs and maintenance - roads $

Motor vehicle costs $

Wharfage fees and harbour dues $

Other $

Repairs and maintenance

Compressors $

Pipelines $

Petroleum facilities $

Other $

Expenses approved by the Minister

Petroleum tenure rents $

Other $

Total expenses $

The Petroleum and Gas (Royalty) Regulation 2004 provides that certain expenses can be deducted when calculating the wellhead value of petroleum that is subject to royalty.

Deductions must be claimed on a GST-exclusive basis.

Where a petroleum royalty decision applies to a particular deduction, the amount claimed as a deduction must be the amount stated in, or calculated in accordance with, the petroleum royalty decision (rather than any amount actually paid or payable by the producer).

For calculating petroleum royalty, the wellhead value of petroleum is determined by applying the formula prescribed by the Regulation, which states the specific deductions that are allowed to be claimed for royalty purposes. It does not take into account all expenses incurred by a producer in relation to a particular operation, general corporate or overhead costs of the producer (e.g. income tax) or land-related costs.

Several types of expenses are specifically stated in the Regulation to not be claimable as a deduction (excluded expenses):

- an expense incurred by the petroleum producer in producing the petroleum (including, for example, lifting costs)
- office overhead costs for an office that is not located within the area of the tenure
- marketing costs in relation to the sale of the petroleum
- Commonwealth excise levies
- a civil penalty, or interest on an amount, payable by the producer under the Act.

Deductions must be determined separately for each petroleum operation for which the producer is liable to pay royalty. Where a producer incurs an expense that relates to multiple operations (such as repairs and maintenance in relation to a pipeline that transports petroleum from 2 or more separate operations), the expense must be apportioned between the operations on a fair and reasonable basis. What constitutes a fair and reasonable basis will vary depending on, among other things, the nature of the expense and the manner in which it is incurred.

Royalty Ruling PGA001 provides further guidance on deductions.

Field	Guidance
Pipeline tariffs or other charges for transportation of petroleum by pipeline to point of disposal	Enter the amount of the expense. An expense may be deducted as a tariff where all of the following conditions are satisfied: • an amount (whether described as a pipeline tariff or not) is paid or payable by the producer to a third party who is the owner or operator of a pipeline, or who in turn pays an amount to the owner or operator of a pipeline (e.g. a logistics company) • the amount is for the transportation of the producer's petroleum through the pipeline to the point of its disposal, or for the third party to procure such transportation at the third party's expense (i.e. the producer does not directly pay the owner or operator of the pipeline) • the Minister reasonably believes that the amount is reasonable on a commercial basis. A *pipeline* is a pipe, or system of pipes, for transporting petroleum or certain other substances, and includes: • a part of the pipeline • a thing connected to or associated with the pipeline that is necessary for its operation. Where petroleum is transported through a pipeline wholly owned by the producer, the producer cannot claim a deduction for a notional tariff. In such a case, a deduction may potentially be available for depreciation of the pipeline and/or for a direct operating cost. Similarly, where a pipeline is partially owned by the producer, the particular charging arrangements must be examined to determine the extent to which any amount paid by the producer may be deductible as a tariff. Where petroleum is transported through two or more consecutive pipelines from the wellhead to the point of disposal, a tariff paid or payable in relation to each of those pipelines may be deducted (subject to meeting all other relevant criteria). Amounts paid or payable by a producer in relation to the following are not deductible as a tariff: • the transportation by pipeline of something other than petroleum (e.g. produced water)

Field	Guidance
	• the transportation of petroleum other than by pipeline (e.g. by tanker). Such expenses are only deductible if it they are a direct operating cost.
Processing plant tolls or other charges for processing petroleum before disposal	Enter the amount of the expense. An expense may be deducted as a toll where all of the following conditions are satisfied: • an amount (whether or not described as a processing plant toll) is paid or payable by the producer to a third party who is the owner or operator of a plant for processing petroleum, or who in turn pays an amount to the owner or operator of a petroleum processing plant (e.g. a logistics company) • the amount is for the processing of the producer's petroleum prior to disposal, or the third party to procure such processing, at the third party's expense (i.e. the producer does not directly pay the owner or operator of the plant) • the amount is calculated on a commercial basis, or another basis that the Minister reasonably believes is the most practicable (given the use of the plant by other producers or for other purposes). Where petroleum is processed in a plant wholly owned by the producer, the producer cannot claim a deduction for a notional toll however a deduction may potentially be available for depreciation of the plant and/or for a direct operating cost. Similarly, where a plant is partially owned by the producer, the particular charging arrangements must be examined to determine the extent to which any amount paid by the producer may be deductible as a toll. Amounts paid or payable by a producer in relation to the processing of something other than petroleum (e.g. produced water) are not deductible as a toll.
Depreciation of capital expenditure on petroleum facility or pipeline	Enter the amount of the expense. Depreciation of capital expenditure on a petroleum facility or pipeline used for processing the producer's petroleum or transporting it from the wellhead of the well in which it was produced to the point of its disposal. For assets acquired prior to 11 January 2016, depreciation must be claimed on the same basis as before that date (unless otherwise notified). Any changes to the way in which the depreciation deduction is calculated will be reviewed, and penalties applied in appropriate circumstances. For assets acquired on or after 11 January 2016, depreciation must be claimed on the same basis as for similar assets before that date (unless otherwise notified).
Personnel wages and salaries, and payments for labour or skill under a contract for services	Enter the amount of the expense. The following costs in relation to personnel, to the extent that the person is engaged directly in a relevant activity: • wages and salaries • payments made to a contractor under a contract for services, to the extent that such payments relate to the provision of labour or skills • on-costs in relation to the supply of labour and skills (e.g. payroll tax, superannuation, WorkCover and fringe benefits tax) A person is not engaged directly in a relevant activity to the extent that the person performs administrative functions (on-site or off-site) such as: • human resources

Field	Guidance
	• tenure administration • finance/accounting • training • information technology • information management • landowner liaison • community liaison • cultural heritage.
Catering, accommodation and travel for personnel	Enter the amount of the expense. Basic accommodation and catering costs, and travel costs to and from the production site, for personnel, to the extent that the person is engaged directly in a relevant activity A person is not engaged directly in a relevant activity to the extent that the person performs administrative functions (on-site or off-site) such as: • human resources • tenure administration • finance/accounting • training • information technology • information management • landowner liaison • community liaison • cultural heritage.
Consumable stores used in a relevant activity	Enter the amount of costs of consumables (including storage costs) to the extent they are used directly in a relevant activity.
Insurance costs	Enter the amounts of insurance costs in relation to an asset to the extent that it is used directly in a relevant activity.
Petroleum storage costs	Enter the amount of any costs of storage of produced petroleum.
Communication costs	Enter the amount of any communications costs, to the extent the communications directly relate to a relevant activity (e.g. two-way radios used by staff monitoring a pipeline). Costs that do not directly relate to a relevant activity (e.g. mobile telephones used by head office staff) are not deductible.
Other operating costs for a relevant activity	Enter the amount of any other operating cost, not specifically identified above, to the extent that it directly relates to a relevant activity and is not an excluded expense.
Repairs and maintenance—roads	Enter the amount that is a reasonable portion of road and maintenance repairs to the extent that the road is used for transporting petroleum from the wellhead to the point of its disposal.

Field	Guidance
	Costs associated with transportation of something other than petroleum (e.g. produced water) are not deductible.
Motor vehicle costs	Enter the amount of motor vehicle operating costs to the extent that the vehicle is used for transporting petroleum from the wellhead to the point of its disposal. Costs associated with transportation of something other than petroleum (e.g. produced water) are not deductible.
Wharfage fees and harbour dues	Enter the amount of wharfage fees and harbour dues to the extent they relate to transporting petroleum from the wellhead to the point of its disposal. Costs associated with transportation of something other than petroleum (e.g. produced water) are not deductible.
Transportation—Other	Enter the amount of any other costs directly relating to transporting petroleum from the wellhead to the point of its disposal, other than tariffs (e.g. amounts paid to a third party for the transportation of petroleum by tanker). Costs associated with transportation of something other than petroleum (e.g. produced water) are not deductible.
Compressors	Enter the amount of repair and maintenance costs for compressors owned by the producer, to the extent that such compressors are used directly in a relevant activity. Consistent with long-standing practice, 10% of the costs associated with nodal compression or first stage compression in natural gas and coal seam gas production operations are not deductible, on the basis that such compression contains a petroleum extraction component.
Pipelines	Enter the amount of repair and maintenance costs for pipelines owned by the producer, to the extent that such pipelines are used directly in a relevant activity.
Petroleum facilities	Enter the amount of repair and maintenance costs for petroleum facilities owned by the producer, to the extent that such facilities are used directly in a relevant activity.
Repairs and maintenance—Other	Enter the amount of repair and maintenance costs for any other assets owned by the petroleum producer, to the extent that such assets are directly used in a relevant activity. Repair and maintenance costs in relation to production assets such as the following are not deductible: • beam pumps • electrical submersible pumps • jet pumps • other wellhead pumps • telemetry associated with the wellhead • water pumps associated with coal seam gas wells.
Petroleum tenure rents	Enter the amount of annual rents payable under the Act or the 1923 Act in respect of a petroleum tenure for the operation. This does not include any other land or tenure-based payments (e.g. council rates or landholder compensation).

Field	Guidance
Expenses approved by the Minister—Other	Enter the amount of another expense incurred, or to be incurred, by the producer in relation to the operation of the site at which the petroleum was produced, where that expense is approved by the Minister. For petroleum produced from a tenure granted under the Act or the 1923 Act, a deduction is available in this category for office overhead costs to the extent that the functions performed in the office relate to a relevant activity and the office is located within the area of the tenure.
Total expenses	This will populate on clicking ‘Calculate’.

Royalty

Field	Guidance
Negative wellhead value	Where the total of the permitted expenses for a particular operation for a particular royalty return period exceeds the amount that the petroleum could reasonably be expected to realise if it were sold on a commercial basis, the amount of the excess is a negative wellhead value for the period. A negative wellhead value for a particular royalty return period may be deducted when calculating the wellhead value of petroleum in a later royalty return period within the same annual return period and for the same operation. Where a negative wellhead value arises in the final royalty return period in the annual return period for an operation, the negative wellhead value may not be deducted when calculating the wellhead value of petroleum in a subsequent royalty return period for the same operation and for any other operation conducted by the producer or another person. A producer is not entitled to receive any payment from the state in relation to a negative wellhead value. This will populate on clicking ‘Calculate’.
Wellhead value	Wellhead value is the total value of petroleum, less total expenses and any carried-forward negative wellhead value. Royalty is imposed at 12.5% of wellhead value. This will populate on clicking ‘Calculate’.
Total royalty payable	This will populate on clicking ‘Calculate’.