



Cooper Energy

PEL 88

**COOPER / EROMANGA BASINS
South Australia**

ANNUAL REPORT

Permit Year 3

for the period

16 November 2003 to 15 May 2005

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1. Introduction

Petroleum Exploration Licence PEL 88 was granted on 16 November 2001. Permit Year 3 commenced on 16 November 2003; however, suspension of the permit was requested on 18th December 2003 to allow for additional seismic acquisition and reprocessing to firm up the Year 3 well. This suspension, due to seismic crew availability was granted from 23rd December 2003 to 22nd June 2004, thereby extending Year 3 by six months. In accordance with the requirements of Section 33 of the Petroleum Regulations 2000, this report covers the activities conducted by the PEL 88 Joint Venture in Year 3, which ended on 15th May 2005.

Working interests in PEL 88 at the end of Year 3 were:

Cooper Energy Ltd (Operator)	30%
Sundance Energy Australia Limited	45%
Enterprise Energy NL	10%
Victoria Petroleum NL	10%
Liberty Petroleum Corporation	5%

2. Guaranteed Program versus Actual Work

The conditions of the Licence provided for purchase of all existing seismic data and detailed geological studies in Year 1, and the drilling of an exploration well in Year 2 and Year 3. The guaranteed and actual work programs set out in the following table:

Year	Year ends	Minimum Work Requirements	Actual Work Program
1	15/11/02	Purchase all existing seismic data. Geological & Geophysical studies	Acquired 44km seismic data. Seismic and geological interpretation.
2	15/11/03	Drill 1 well	Drilled Eucalyptus-1
3	15/05/05	Drill 1 well	Acquired 129 km seismic data and reprocessed 826km. Drilled Kitson-1*
4	15/05/06	Drill 1 well	
5	15/05/07	Drill 1 exploration or appraisal well	

* Rig on site by end Year 3, but well spudded in Year 4

3. Exploration Activity

3.1 Drilling

No drilling activities were conducted during the year. Kitson-1 had been planned as the Year 3 commitment well, but the spud date was delayed due to rig availability. The rig move to Kitson-1 commenced on 9th May 2005, and the well was due to spud about 18th May 2005.

3.2 Seismic Data Acquisition

The Kachumba Seismic Survey was acquired by Terrex Seismic Pty Ltd in July-August 2004 over PEL 88 and PEL 100. Twelve lines (CE04-02 to CE04-13), totalling 129.075 km were acquired in PEL 88. Line clearing and survey operations commenced on 14th July 2004 and acquisition was completed by 2nd August 2004, although uphole drilling and recording was not completed until 28th August 2004.

Due to unexpectedly rough terrain and difficult drilling conditions, Line CE04-01 was omitted from the programme and 19 upholes were dropped from the drilling programme to avoid excessive delays in recording and drilling. Line CE04-01 was the most northerly dip-line and not critical to identifying the structural crest. Upholes excluded from the programme were those at line ends and in down-dip locations, based on current mapping.

3.3 Seismic Data Processing

The newly acquired Kachumba seismic data was processed by Velseis Processing together with 558 km of 1979-1996 vintage data using a Pre-Stack Time Migration algorithm. A final operations report for acquisition and processing is currently in preparation.

The Kachumba Seismic Survey resulted in a good quality data set, although tying at line intersections presented problems in processing. A combination of high density velocity picking prior to first pass of residual statics and discarding some upholes from old lines resulted in acceptable misties at difficult intersections.

A further 268 km of vintage seismic data was selected for reprocessing over the Geordie and Transit leads

3.4 Geological and Geophysical Studies

Work during the third Permit year focussed on acquisition and processing of the Kachumba Seismic Survey and reprocessing of the vintage data. Processing of this data was still in progress at the end of the permit year. Interpretation using preliminary products of the new seismic data set led to maturation of the Geordie and Transit prospects. An interpretation report is in preparation.

Geological work focussed on the preparation for drilling and evaluation of Kitson-1.

3.5 Planned Exploration Program for Year 4

Based on the seismic interpretation undertaken in Year 3, reprocessing of a further 332 line kilometres of vintage seismic data over the James-Rutherford trend was initiated in February 2004. Reprocessing will be completed in Year 4 and the results will be incorporated into an updated portfolio of leads and prospects.

It is planned to drill Geordie South-1 as the Year-4 commitment well.

4. Administration

4.1 Compliance

Cooper Energy, as Operator of PEL 88, has complied with all relevant conditions under the Petroleum Act 2000 and the Petroleum Regulations 2000.

4.2 Data Submission

The following items were submitted during the permit year:

Eucalyptus-1 Well Completion Report 2nd June 2004

Section 40 of the Petroleum Regulations requires that well completion reports be submitted within six month of rig release. However, the Director, in a letter dated 13th April 2004 (MERFF Ref:27/4/7969), granted an extension to the 16th June 2004.

5. Statement of Environmental Objectives

5.1 Seismic Operations

In acquiring the Kachumba Seismic Survey, Cooper Energy met all of the objectives set out in "Statement of Environmental Objectives for Seismic Operations in the Cooper and Eromanga Basins, South Australia". These objectives are:

- Objective 1: ensure that the potential impacts of the proposed seismic operation on biological diversity and cultural components of the environment are assessed within a planning process and incorporated into field management procedures.

- **Objective 2:** monitor and manage those activities that have, or are likely to have, temporary impacts upon biological diversity and cultural components of the environment, groundwater or other land users and facilitate rehabilitation so as to minimise such impacts if they occur.
- **Objective 3:** avoid undertaking any activities, which have, or are likely to have, long-term significant adverse impact(s) on biological diversity and cultural components of the environment, groundwater or other land uses.

An Environmental Impact Report for the Kachumba Seismic Survey will be submitted as Appendix 5 of the Final Operations Report for the 2004 Kachumba Seismic Survey.

Random sections of lines were audited using the Goal Attainment Scaling (GAS) System. A GAS audit was also undertaken at the EMP locations. Some 30 points were considered in this audit apart from the two EMPs. A score chart shows the results and photographs illustrate the reasoning behind the scores. The GAS audit showed that lines were generally prepared in line with accepted guidelines. There were some exceptions such as ramping onto the swale.

A major deviation from normal procedure occurred when the earth-moving contractor, Denham and O'Keefe (DOK) cut corners at each intersection to allow vibrators to turn more easily. This action was the result of a communication between Terrex's Perth office and DOK's Toowoomba office in which Terrex complained about the difficulty the vibrators were having in turning tight corners. The complaint arose as a result of the Stuart Warrior 3D earlier in the year where the vibrators did have trouble turning and a protest was made by the vibrator technician. DOK's response to this was to cut corners on the 2D lines. This was unnecessary because the vibrators rarely have to turn in 2D surveys. The Client Representative (Bruce Beer) explained to Bill O'Keefe (joint owner of DOK) that, although the intention was good, the net result was unwarranted further impact on the environment. He agreed to stop the practice.

5.2 Drilling Operations

Kitson-1 was due to be drilled in Year 3, but was delayed due to rig availability. During the year Cooper Energy made efforts to ensure that Kitson-1 will meet all of the objectives set out in "South Australia Cooper Basin Operators - Statement of Environmental Objectives: Drilling and Well Operations" (SEO).

During the year, Cooper Energy engaged an environmental consultant to inspect the Eucalyptus-1 wellsite on behalf of the PEL 88 Joint Venture. The consultant reported that the pad would need some further work to rehabilitate it in accordance with the SEO. Cooper Energy is arranging a further site inspection to draw up detailed plans to ensure the wellsite is properly rehabilitated when we next have earthmoving equipment in the area, either for wellsite rehabilitation or pad construction.

6. Expenditure Statement

Commercial in confidence