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ANNUAL REPORT - PEL 154

LICENCE YEAR SEVEN (YEAR 5 EXTENDED)

FOR THE PERIOD

1ST JULY 2011 – 31ST DECEMBER 2011

OTWAY BASIN, ONSHORE SOUTH AUSTRALIA

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INTRODUCTION

Petroleum Exploration Licence 154 covers an area of 1,404 square kilometres of the onshore part of the Otway Basin in South Australia. It was granted on 30th June, 2003. The licence is located in the Otway Basin, South Australia. This report details the work conducted during Licence Year Five of the licence **covering the period 1st July 2011 to 31st December 2011**, inclusive, in accordance with Regulation 33 of the Petroleum and Geothermal Energy Act 2000. It is noted that permit Years Four and Five of PEL 154 have been combined by a Variation entered onto the register on 8th October, 2007 under s.90 of the Petroleum and Geothermal Energy Act 2000 and now cover the period from 30th June 2006 to 31st December 2011, inclusive. This report covers the period 1st July 2011 to 31st December 2011 and includes all periods spanning the extensions and suspensions noted hereunder.

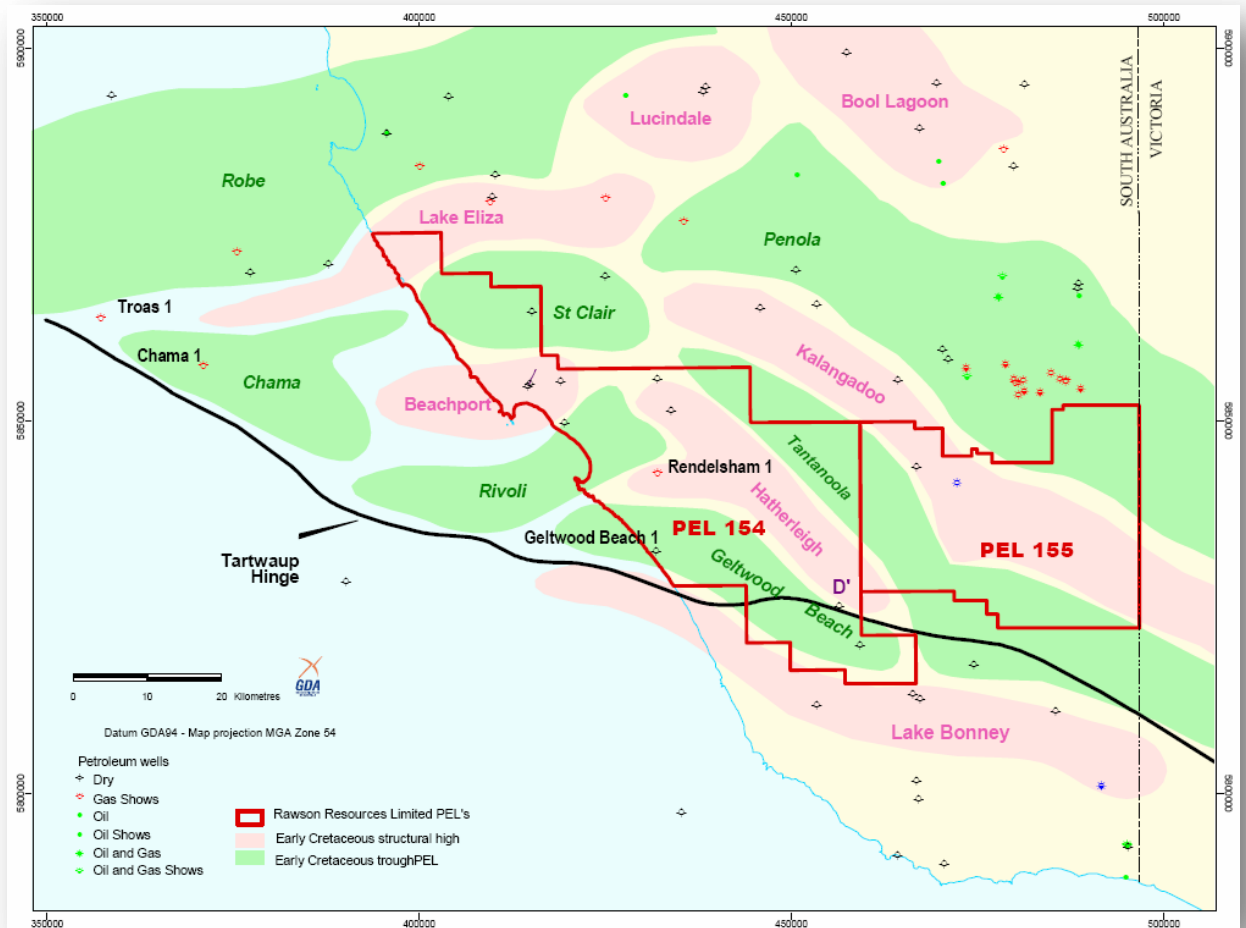


Figure 1. Location of PEL 154

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ASSOCIATED FACILITIES LICENCE

No Associated Facilities Licences have been granted in relation to PEL 154.

PERMIT SUMMARY

At the beginning of the period covered by this report, the licensees on title for Petroleum Exploration Licence PEL 154 were:

- *Energetica Otway Pty Ltd* 62.5% interest
- *Rawson Otway Pty Ltd* 37.5% interest

At the end of the period covered by this report, the licensees on title for Petroleum Exploration Licence PEL 154 were:

- *Energetica Otway Pty Ltd* 62.5% interest
- *Rawson Otway Pty Ltd* 37.5% interest

The current (i.e., at the end of the period covered by this report) work commitments (including all variations) associated with PEL 154 are listed in [Table 1](#).

Table 1 Current work commitments by licence year

Licence Year	Licence dates	Minimum Work Program
Year 1	30 June 2003 - 29 June 2004	Geological and geophysical studies
Year 2	30 June 2004 - 29 June 2005	Geological and Geophysical Studies; Soil-gas survey.
Year 3	30 June 2005 - 29 June 2006	Acquire a selected 100 km of existing Raw 2D seismic data; conduct WEA reprocessing and analysis of selected seismic data
Year 4 and 5	30 June 2006 – 31 December 2011	Acquire 35 km ² of 3D seismic data or acquire 50 line km of new 2D seismic data; One well; Review studies and Renewal studies.

[Table 2](#) tabulates the minimum work program (after all variations) and the actual work completed up until the end of the period covered by this report.

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Table 2. Work program and work completed (as of end of current reporting period) by licence year

Licence Year	Minimum Work Program	Actual Work
Year 1	Geological & geophysical studies	Completed geological & geophysical studies.
Year 2	Geological & Geophysical Studies; Soil-gas survey.	Completed geological & geophysical studies; Completed soil-gas survey.
Year 3	Acquire selected 100km of existing Raw 2D seismic data; conduct WEA reprocessing and analysis of seismic data	Acquired approx.114.26 km (including line tails), 109.45 km full fold of existing original raw 2D seismic data; Completed WEA reprocessing & analysis of selected seismic data.
Combined Year 4 and Year 5	Acquire 35 km ² of 3D seismic data or acquire 50 line km of new 2D seismic data; One well; Review studies; Renewal studies.	Acquired 35 km ² of new 3D seismic data (the Burrungule 3D Seismic Survey). Drilling Preparation for the Benara-1 well. Sampling and analysis of cutting from the Burrungule-1 well.

On 26th July 2006 PEL 154 was suspended for the period from and including 24th July 2006 to 23rd January 2007. No regulated activities were carried out in the Licence area during the period of the suspension. The instrument of suspension re-determined the expiry date of Licence to be 30th December 2008.

On 8th October 2007 PEL 154 was suspended for the period from and including 28th September 2007 to 27th March 2008. The instrument of suspension re-determined the expiry date of Licence to be 30th June 2009.

On 22nd January 2008, with respect to PEL 154, an Instrument granted the temporary cessation of the suspension of the licence from and including 21st January 2008. A 3D Seismic Survey was conducted within the licence as a regulated activity after the cessation of the suspension. The instrument of suspension re-determined the expiry date of Licence to be 23rd April 2009.

On 18th March 2008, with respect to PEL 154, an instrument notifying the resumption of the suspension of the licence dated 8 October 2007, from and including 5 March 2008 was granted. The instrument re-determined the expiry date of Licence to be 30th June 2009.

On 13 February 2009 PEL 154 was suspended for the period from and including 27 January 2009 to 26 January 2010 by an Instrument from the Minister's Delegate. The instrument re-determined the expiry date of Licence to be 30th June 2010.

On 5 August 2010 PEL 154 was suspended for the period from and including 1 January 2011 to 30 June 2011 by an Instrument from the Minister's Delegate. The instrument re-determined the expiry date of Licence to be 30th June 2011.

By an Instrument from the Minister's Delegate dated 10 May 2011, PEL 154 was suspended for the period from and including 1 July 2011 to 31 December 2011. The instrument re-determined the expiry date of Licence to be 31st December 2011.

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REGULATED ACTIVITIES

Pursuant to Regulation 33(2)(a) under the Act, an annual report must include: “a *summary of the regulated activities conducted under the licence during the [current reporting] year.*” This information is detailed below in designated sections.

DRILLING AND RELATED ACTIVITIES

No regulated drilling activities were carried out during the period covered by this report. However, work was completed involving the preparation and planning for drilling the Benara Prospect was undertaken during the period, including cultural heritage clearance (i.e., a Work Area Clearance”), and negotiations for a Landholder Agreement.

SEISMIC DATA ACQUISITION

No Regulated seismic data acquisition activities were carried out during the period covered by this report.

SEISMIC DATA PROCESSING AND REPROCESSING

No Regulated seismic data processing activities were carried out during the period covered by this report.

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GEOCHEMICAL, GRAVITY, MAGNETIC AND OTHER SURVEYS

No regulated geochemical, gravity, magnetic and other survey activities were carried out during the period covered by this report.

PRODUCTION AND PROCESSING

Not applicable.

PIPELINE CONSTRUCTION AND OPERATION

Not applicable.

PRELIMINARY SURVEY ACTIVITIES

Preparation, planning and design for the drilling of the Benara-1 exploration well were conducted during the period covered by this report. This work did not involve any regulated activities.

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COMPLIANCE ISSUES

LICENCE AND REGULATORY COMPLIANCE

Pursuant to Regulations 33(2) (b) & (c), The Licencee has, to the best of its knowledge, complied with all the relevant conditions under the Petroleum and Geothermal Energy Act 2000 and the Petroleum and Geothermal Energy Regulations 2000, with the exception of drilling one well.

As there were no Regulated Activities conducted during the quarter, no Compliance Report (detailing the Licencee's compliance with the 2000 Petroleum and Geothermal Energy Act 2000, its Regulations, the terms and conditions of the Licence, and the agreed Statements of Environmental Objectives governing field operations undertaken during the permit term) has been compiled.

Detailed information on the individual instances of non-compliance are provided below in designated sections and summarised in [Table 3](#) and [Table 4](#).

Licence Non-Compliance

There was one licence non-compliance during the period covered by this report.

Table 3 List of licence non-compliances for current reporting year

No.	Stated Commitment	Reason for Non-Compliance	Rectification of Non-Compliance
1	Drill one well	Failure to successfully secure a suitable rig due to rig contractor timetable. Subsequent delays meant department required Notice of Entry and Activity Notifications would not have been submitted within reporting year deadlines.	Agreement with department to relinquish an additional 25% of total acreage at the end of term (31/12/2011).

Regulatory Non-Compliance

Table 4 List of regulatory non-compliances for current reporting year

No.	Date	Activity	Details of Non-Compliance	Rectification of Non-Compliance
1	8/11/2011	Submission of Year 4 Annual Report	Annual Report for Year Four of the Licence for was not submitted by the due date.	An interim Report was submitted for Year 4 but dates of due reports were altered by changes to the Term of Licence. This situation was noted for further

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				reporting years
2	3/09/2012	Submission of Year 4, Year 5, Year 6 & Year 7 Annual Reports	Annual Reports were submitted with the incorrect dates	Clarification of correct dates with DMITRE in light of permit extensions and suspensions

COMPLIANCE WITH STATEMENT OF ENVIRONMENTAL OBJECTIVES

No regulated environmental activities were undertaken during this report period. Thus, no SEO's are reported.

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MANAGEMENT SYSTEM AUDITS

This report acknowledges that Pursuant to Regulation 33(2) (d) under the Act, an annual report must include:

“a summary of any management system audits undertaken during the relevant licence year including information on any failure or deficiency identified by the audit and any corrective actions that has, or will be taken”.

No external management system audits were conducted in the current licence interim reporting period.

REPORT AND DATA SUBMISSIONS

Pursuant to Regulation 33(2) (e) under the Petroleum and Geothermal Energy Act 2000, a list of all reports and data relevant to the operation of the Petroleum and Geothermal Energy Act 2000 generated by the licensee during the licence year is given in [Table 5](#).

Table 5 List of report and data submissions during current licence reporting year

Description of Report/Data	Date Due	Date Submitted	Compliant / Non-Compliant
Submission of Year 4 Annual Report		8/11/2011	Non-Compliant

INCIDENTS

This interim report recognises that Pursuant to Regulation 33(2) (f), an annual report must include:

“in relation to any incidents reported to the Minister under the Act and these Regulations during the relevant licence year –

- (i) an overall assessment and analysis of the incidents, including the identification and analysis of any trends that have emerged; and*
- (ii) an overall assessment of the effectiveness of any action taken to rectify non-compliance with obligations imposed by the Act, these regulations or the licence, or to minimise the risk of recurrence of any such non-compliance”.*

There were no incidents that occurred in relation to PEL 154 during the interim reporting period.

Table 6 List of incidents during current licence reporting year

Date of Incident	Activity	Incident Description	Type of Loss	Action to Rectify & Effectiveness of Action	Date Reported / Reported to Whom

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THREAT PREVENTION

Pursuant to Regulation 33(2) (g) under the Act, requiring the reporting of reasonably foreseeable threats, *no reasonably foreseeable threats (other than threats previously reported on) are currently recognized or known that reasonably present, or may present, a hazard or hazards to activities under the licence.*

FUTURE WORK PROGRAM

Pursuant to Regulation 33(2) (h) under the Act, requiring reporting on future regulated activities, the following regulated activities are planned for the first year of the second term (i.e., from 1st January 2012 to December 2012):

1. Geological and geophysical studies (at the time of this report, yet to be approved)

EXPENDITURE STATEMENT

Pursuant to Regulation 33(3) under the Act, this report has appended hereto, as Appendix 1, an expenditure statement, *showing expenditure under each of the following headings:*

- a) *drilling activities;*
- b) *seismic activities;*
- c) *technical evaluation and analysis;*
- d) *other surveys;*
- e) *facility construction and modification;*
- f) *operating and administration expenses (not already covered under another heading)".*

Please refer to Appendix 1 for the expenditure statement for the current interim reporting period.

This report was digitally submitted to the Petroleum and Geothermal Group (addressed to Barry Goldstein, Director) by email to the following email address: dmitre.compliance@sa.gov.au.