



Cooper Energy

PEL 100
COOPER / EROMANGA BASINS
South Australia

ANNUAL REPORT

Permit Year 2

for the period

6 March 2004 to 5 March 2005

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1. Introduction

Petroleum Exploration Licence PEL 100 was granted on 6 March 2003, and Year 2 of the initial five year term expired on 5 March 2005. In accordance with the requirements of Section 33 of the Petroleum Regulations 2000, this report covers the activities conducted by the PEL 100 Joint Venture in Year 2, which ended on 5th March 2005.

Working interests in PEL 100 at the end of Year 2 were:

Cooper Energy Ltd (Operator)	28.33%
Sundance Energy Australia Limited	46.67%
Enterprise Energy NL	20.00%
Liberty Petroleum Corporation	5.00%

2. Guaranteed Program versus Actual Work

The initial conditions of the Licence provided for unspecified seismic acquisition and interpretation of existing seismic lines in Year 1, and the drilling of one exploration well in Year 2. A variation granted on 11th February 2004 combined the work program for Years 1 & 2 to provide some flexibility in the timing of exploration activities. The combined work program was to be fulfilled by the end of Year 2, i.e. by 5 March 2005. The revised conditions are set out in the following table:

Year	Year ends	Minimum Work Requirements	Actual Work Program
1	05/03/04	Seismic acquisition, interpretation of existing seismic lines, drill 1 well,	Interpreted vintage seismic data
2	05/03/05		Acquired Kachumba Seismic Survey, Reprocessed 572km vintage seismic data, interpreted seismic data, drilled Acacia Grove-1
3	05/03/06	Drill 1 well	
4	05/03/07	Drill 1 well	
5	05/03/08	Drill 1 well	

3. Exploration Activity

3.1 Drilling

Further to PIRSA's conditional approval of 24 February 2004 to drill and complete Acacia Grove-1, Cooper Energy submitted a copy of the agenda for the proposed pre-spud meeting on 18 March 2004.

The Acacia Grove-1 well was spudded on 19th April 2004 and reached Total Depth of 2727 metres on 6th May 2004. The well was plugged and abandoned as a dry hole and rig was released on 9th May 2004.

3.2 Seismic Data Acquisition

The Kachumba Seismic Survey was acquired by Terrex Seismic Pty Ltd in July-August 2004 over PEL 100 and PEL 88. Sixteen lines (CE04-101 to CE04-116), totalling 133.125km were acquired in PEL 100. Line clearing and survey operations commenced on 23rd July 2004 and acquisition was completed by 10th August 2004. Drilling of 78 upholes commenced on 9th September 2004 and was completed on 23rd September 2004.

3.3 Seismic Data Processing

This newly acquired Kachumba seismic data was processed by Velseis Processing together with 572km of 1978-1997 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.

3.4 Geological and Geophysical Studies

Work during the second 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 York North and York South prospects, but resulted in downgrading the Deramookoo North lead. An interpretation report is in preparation.

Geological work focussed on the drilling and evaluation of Acacia Grove-1.

3.5 Planned Exploration Program for Year 3

Based on the seismic interpretation undertaken in Year 2, reprocessing of a further 675 line kilometres of vintage seismic data was initiated in February 2004. Reprocessing will be completed in Year 3 and the results will be incorporated into an updated portfolio of leads and prospects.

It is planned to drill York North-1 as the Year-3 commitment well.

4. Administration

4.1 Compliance

Cooper Energy, as Operator of PEL 100, 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:

Acacia Grove-1 Well Completion Report	25th August 2004
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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 Worrior 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

In drilling Acacia Grove-1, Cooper Energy is satisfied that it met all of the objectives set out in "South Australia Cooper Basin Operators - Statement of Environmental Objectives: Drilling and Well Operations" (SEO).

Cooper Energy's performance in attaining the objectives of the SEO cannot be completed, as the wellsite has not yet been rehabilitated. This cannot be done until the water in the sump pit has fully evaporated, which has been prevented by intermittent rain during the year. An environmental consultant is due to visit the site in July to assess the readiness to commence the rehabilitation work and to prepare specific directions for the earth moving contractor to ensure the objectives of the SEO are met.

6. Expenditure Statement

Commercial in confidence