Adelaide Energy Limited

Annual Report

Petroleum Retention Licence No 2
(Limestone Ridge Area)

PERMIT YEAR 6
28 April 2010 – 27 April 2011

Onshore Otway Basin

South Australia

This report has been prepared in accordance with the requirements of the *Petroleum and Geothermal Energy Act 2000* and the P*etroleum and Geothermal Energy Regulations 2000* and covers all of the operations conducted under PRL 2 by Adelaide Energy Limited during the period 28 April 2010 and 27 April 2011.

This report was provided to PIRSA June 2011.

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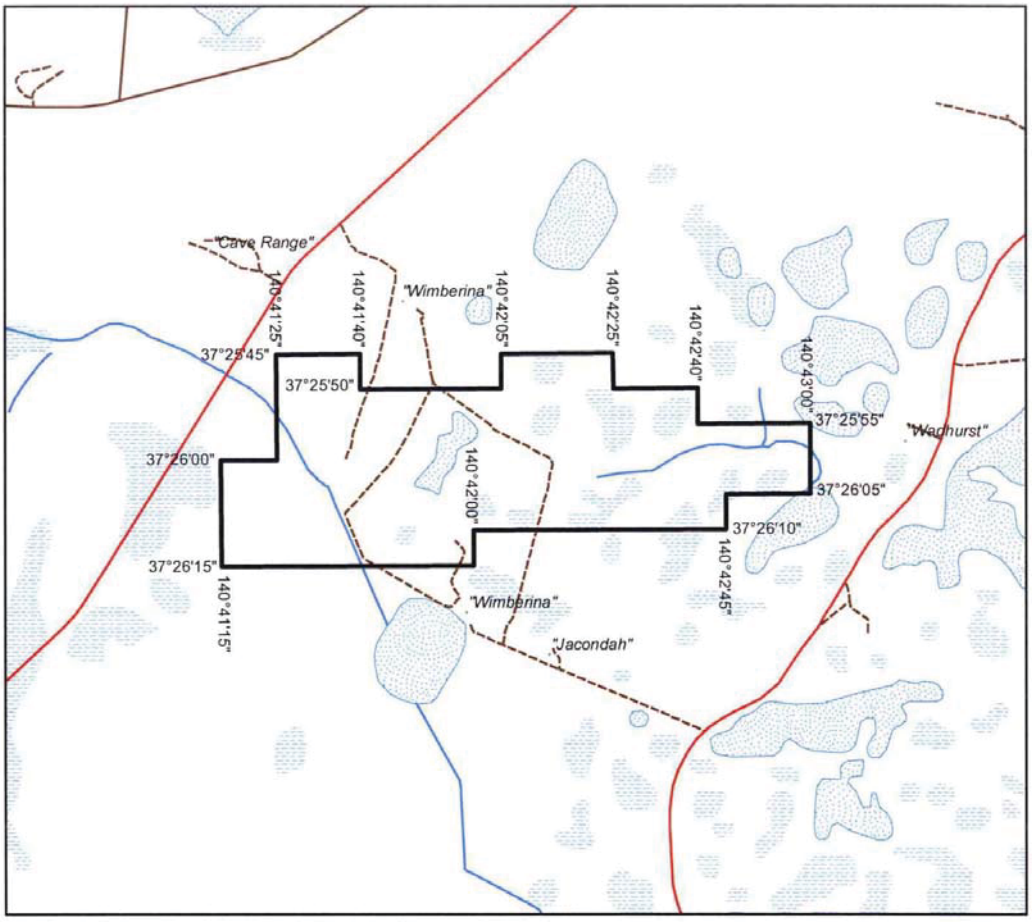
1 Introduction

Petroleum Retention Licence No. 2 ("PRL 2") is located in the onshore portion of the Otway Basin, South Australia – approximately 12 km southwest of Penola. Origin Energy Resources Limited ("Origin") was granted PRL 2 over the Limestone Ridge Field from 28 April 2005 to 27 April 2010. During 2008 Origin sold its interest in PRL 2 to Adelaide Energy Limited ("ADE"), subject to Ministerial approval for the transfer, which was granted 1 June 2009. Adelaide Energy subsequently applied for extension of PRL 2 to 27 April 2015, which was granted by PIRSA in March 2010.

This report details the work conducted during Year 6, 28 April 2010 - 27 April 2011 inclusive, in accordance with Regulation *33* of the *Petroleum and Geothermal Energy Act 2000*.



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Kilometres

Note: There is no warranty that the boundary of this licence is correct in relation to other features of the map. The boundary is to be ascertained by reference to the Geocentric Datum of Australia (GDA94) and the schedule.

THE PLAN HEREINBEFORE REFERRED TO

PETROLEUM RETENTION LICENCE NO: 2

2 Permit Summary

Origin completed a transaction transferring the rights for PRL 2 to Adelaide Energy in late 2008 subject to Ministerial approval, which was granted in June 2009. Adelaide Energy applied for extension of PRL 2 to 27 April 2015, which was granted by PIRSA in March 2010.

For the duration of the licence year, ADE was 100% owner of licence PRL 2.

3 Regulated Activities

Petroleum and Geothermal Energy Regulations, Section 33 (2) (a) requires

"*a summary of the regulated activities conducted under the licence during the year".*

3.1 Drilling and Related Activities

No regulated activities undertaken in licence reporting period.

3.2 Seismic Data Acquisition

No regulated activities undertaken in licence reporting period.

3.3 Seismic Data Processing and Reprocessing

No regulated activities undertaken in licence reporting period.

3.4 Geochemical, Gravity, Magnetic and other Surveys

No regulated activities undertaken in licence reporting period.

3.5 Production and Processing

A total of 9,186 thousand scm of raw gas, 512 kL of condensate and 341kL of water was produced from Limestone Ridge #1 from 28 April 2010 to 27 April 2011 (inclusive). This was all processed via the Katnook Gas Plant.

3.6 Preliminary Survey Activities

No regulated activities undertaken in licence reporting period.

4 Compliance Issues

4.1 Licence and Regulatory Compliance

Petroleum and Geothermal Regulations, Section 33 (2) (b) and (c) requires:

"a report for the year on compliance with the Act, these regulations, the licence and any relevant statement of environmental objectives, and

a statement concerning any action to rectify non-compliance with obligations imposed by the Act, these regulations or the licence, and to minimize the likelihood of the recurrence of any such non-compliance".

4.1.1 Licence Non-Compliance

List of Licence Non-Compliances for Current Reporting Year			
No.	**Stated Commitment**	**Reason for Non-Compliance**	**Rectification of Non-compliance**
		No Licence non-compliances occurred	

4.1.2 Regulatory Non-Compliance

List of Regulatory Non-Compliances for Current Reporting Year				
No.	**Date**	**Activity**	**Details of Non-Compliance**	**Rectification of Non-compliance**
			No regulatory non-compliances occurred	

4.1.3 Compliance with Statement of Environmental Objectives (SEO)

Statement of Environmental Objectives for the Production and Processing of Petroleum Products and Associated Activities at the Katnook and Ladbroke Grove Gas Plants			
Objectives	**Assessment Criteria**	**Compliant / Non-Compliant**	**Comments**
1. Avoid surface water, groundwater and soil contamination	• No contamination of surface water, groundwater or soil as a result of operation activities • No spills outside areas designed to contain them • No cross flow behind casing in production wells • Sufficient barriers demonstrated in production wells to prevent likelihood of cross flow	Compliant	• No incidents occurred involving contamination to groundwater. • No spills or leaks occurred. • Wellhead pressure readings indicate no casing failures. • Wells constructed with appropriate barriers in place.
2. Minimise disturbance to native vegetation and native flora	• No injuries to native fauna due to facility processes • Removal of native vegetation in accordance with requirements of Native Vegetation Council	Compliant	• No native fauna injured. • No development occurred resulting in the removal or damage to native vegetation. • Existing well site are already cleared on existing agricultural land.
3. Maintenance of facilities to prevent failure	• No unplanned interruptions of supply resulting in gas restrictions being applied to commercial and domestic customers	Compliant	• No unplanned supply interruptions to commercial and domestic customers occurred due to plant failures.
4. Avoid disturbance to sites of Aboriginal and European heritage significance	• No unauthorised disturbance to Aboriginal or European heritage areas	Compliant	• No activities conducted outside current operating areas. • No disturbance to Aboriginal and non-indigenous heritage sites.
5. Minimise the Risk to the public and other third parties	• No injuries to the public as a result of facility processes	Compliant	• No injuries to the public as a result of facility processes. • Security fencing installed around LR#1 facilities.

6. Avoid disturbance to stakeholders and their associated infrastructure	• No reasonable complaints from stakeholders • Noise emissions comply with EPA requirements • No new weed or pest infestations due to site activities	Compliant	• No complaints received from land users or stakeholders. • Noise emissions from site fall within EPA noise emissions requirements • No introduced exotic weed species as a consequence of activities. Presence of weeds and pathogens consistent with or better than adjacent land.

4.2 Management System Audits

Petroleum and Geothermal Regulations, Section 33 (2) (d) requires

"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 action that has, or will be, taken"

Adelaide Energy Limited complied with Regulation 33(2) (d) under the Act by conducting internal reviews of all operations and procedures. No significant issues were raised. No other management system audits specific to PRL 2 where undertaken during the licence year.

4.3 Report and Data Submissions

Petroleum and Geothermal Regulations, Section 33 (3) (e) requires

"a list of all reports and data relevant to the operation of the Act generated by the licensee during the relevant licence year".

List of Report and Data Submissions During the Current Licence Reporting Year			
Description of Report / Data	**Due Date**	**Date Submitted**	**Compliant / Non-compliance**
2010 PRL 2 Annual Report (Permit Year 5)	27/06/2010	18/06/2010	Compliant
MONTHLY PRODUCTION REPORTS			
April	30/06/2010	19/05/2010	Compliant
May	31/07/2010	16/06/2010	Compliant
June	31/08/2010	1/07/2010	Complaint
July	30/09/2010	10/08/2010	Compliant
August	31/10/2010	09/09/2010	Compliant
September	30/11/2010	0710/2010	Compliant
October	31/12/2010	11/11/2010	Compliant
November	31/01/2010	08/12/2010	Compliant
December	28/02/2010	06/01/2010	Compliant
January	31/03/2011	04/02/2011	Compliant
February	30/04/2011	16/03/2011	Compliant
March	31/05/2011	08/04/2011	Compliant
QUARTERLY CASED HOLE REPORTS			
Q2_2010	31/07/2010	30/07/2009	Compliant
Q3_2010	31/10/2009	08/10/2009	Compliant

Q4_2010	31/01/2010	27/01/2011	Compliant
Q1_2011	30/04/2011	22/03/2011	Compliant

4.4 Incidents

Petroleum and Geothermal Regulations, Section 33 (2) (f) requires:

"in relation to any incidents reported to the Minister under the Act and these regulations during the relevant licensing 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 reportable incidents occurred for PRL2 during the reporting period.

4.5 Threat Prevention

Petroleum and Geothermal Regulations, Section 33 (2) (g) requires

"a report on any reasonably foreseeable threats (other than threats previously reported on) that reasonably present, or may present, a hazard to facilities or activities under the licence, and a report on any corrective action that has, or will be, taken".

There were no perceived threats, and no action taken for PRL2 during the reporting period.

4.6 Future Work Program

Petroleum and Geothermal Regulations, Section 33 (2) (h) requires

"unless the relevant licence year is the last year in which the licence is to remain in force - a statement outlining operations proposed for the ensuing year".

ADE intends to continue with production testing of LR#1, producing to Katnook Gas Plant to demonstrate commercial production. This will involve measurement of gas, condensate and water production rates and monitoring of pressure. This may include operation of "GasJack" compressors to boost production from the well.

5 Expenditure Statement

Petroleum and Geothermal Regulations, Section 33 (3) requires

"an annual report must be accompanied by a statement of expenditure on regulated activities conducted under the licence for the relevant licence year, showing expenditure under each of the following headings:

a) Drilling activities;

b) Seismic activities;

c) Technical evaluation and analysis;

d) Other surveys;

e) Facilities 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 reporting period.