

VICTORIA OIL EXPLORATION (1977) PTY LTD

Annual Report

Licence Year Four

May 16 2006 to November 12 2007

PEL 115

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1 Introduction

PEL 115 was granted on 16 May 2003. The licence is located in the Cooper/Eromanga Basins, South Australia. This report details the work conducted during Licence Year Four of the licence (May 16 2006 to November 12 2007 inclusive), in accordance with Regulation 33 of the Petroleum Act 2000.

2 Permit Summary

PEL 115 was awarded to:

- Australian Crude Oil Company Inc 100%

The original work commitments associated with the awarding of PEL 115 can be seen in Table 1.

Table 1 Original work commitments by licence year

Licence Year	Licence dates	Minimum Work Program
Year 1	16 May '03 – 15 May'04	Seismic reprocessing; geological and geophysical studies
Year 2	16 May '04 – 15 May'05	Two Wells
Year 3	16 May '05 – 15 May'06	Four Wells
Year 4	16 May '06 – 15 May'07	Four Wells
Year 5	16 May '07 – 15 May'08	Three Wells

- Australian Crude sold its 100% interest to Victoria Oil Exploration (1977) Pty Ltd
- Victoria assigned
 - a 20% interest to Permian Oil Pty Ltd
 - a 15% interest to Springfield Oil and Gas Pty Ltd
 - a 12.5% interest to Kalrez Energy Ltd
 - a 12.5% interest to Tacnas Pty Ltd
- Lion Energy (formerly Kalrez) assigned its 12.5% interest to Entek Energy Ltd
- Entek Energy assigned its 12.5% interest to Impress (Cooper Basin) Pty Ltd (formerly Tacnas)

Suspensions

- licence suspended 3 November 2006
- licence active 2 May 2007

Application was made on 31st May 2007 to vary the work requirements of PEL 115, by reducing the well requirement in Year 4 from four to one, and increasing the well requirement in Year 5 from three to five. This variation was granted on 8th June 2007

Table 2 Final work program commitments by licence year

Licence Year	Licence dates	Minimum Work Program
Year 1	16 May '03 – 15 May'04	Seismic reprocessing; geological and geophysical studies
Year 2	16 May '04 – 15 May'05	Two Wells
Year 3	16 May '05 – 15 May'06	Four Wells
Year 4	16 May '06 – 12 November '07	One Well
Year 5	13 November '07 – 12 November '08	Five Wells

Licence Year 4 concluded on 12 November '07. The following table displays the minimum work program (after all variations) and the actual work completed up until the end of the current licence period.

Table 3 Final work program and work completed (as of end of current reporting period) by licence year

Licence Year	Minimum Work Program	Actual Work
Year 1 16 May 2003 – 15 May, 2004	Seismic Reprocessing; Geological and Geophysical Studies	Reprocessing: 631km of 2D data, 50sq km of 3D data within PEL 115. Studies: Data Review of the existing seismic data and well data for a Leads and Prospects assessment and to assist in the location of future seismic acquisition and reprocessing projects.
Year 2 6 May 2004 – 15 May, 2005	2 wells	Seismic Surveys: 21.5km Ventura 2D Seismic Survey. Exploration Drilling: Hornet-1 Ventura-1 Canberra-1 & 1A Mirage -1

Year 3 6 May 2005 – 15 May, 2006	4 wells	Seismic Surveys: 100 sq km Mirage 3D Seismic Survey. Exploration Drilling: Lightning-1 Jindivik-1 Appraisal/Development Drilling: Mirage-2 Mirage-3 Mirage-4 Production: EPT commenced on Mirage-1 EPT commenced on Ventura-1
Year 4 6 May 2006 – 12 November, 2007	1 wells	Exploration Drilling: Lancer-1
Year 5 13 November 2007 – 12 November 2008	5 wells	

3 Regulated Activities

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

- (a) *“a summary of the regulated activities conducted under the licence during the year.”*

This information is detailed below in designated sections.

Drilling and Related Activities

- Well name Lancer No.1
- type of well Exploration
- contractor Ensign Drilling
- date spudded 29 August, 2007
- rig release date 9 September 2007

Seismic Data Acquisition

- There was no seismic acquisition carried out during the reporting period

Seismic Data Processing and Reprocessing

- survey/project name Coobowie Reprocessing
- processing contractor Fugro
- line length (km)/area (km²) 586km

Geochemical, Gravity, Magnetic and other surveys

- There were no surveys in this category carried out during the reporting period

Production and Processing

- name of production facility Mirage
- maintenance activities routine
- emergency response exercises nil

- name of production facility Ventura
- maintenance activities routine
- emergency response exercises nil

On 25th August 2006, PPLs 213 and 214 were granted to include the Mirage and Ventura oilfields, and these areas were excised from PEL 115

4 Compliance Issues

Licence and Regulatory Compliance

Pursuant to Regulations 33(2) an annual report must include:

- (b) *a report for the year on compliance with the Act, these regulations, the licence and any relevant statement of environmental objectives; and*
- (c) *a statement concerning any action to rectify non compliance with obligations imposed by the Act, these regulations or the licence, and to minimise the likelihood of recurrence of any such non-compliances.*

Compliance with Statement of Environmental Objectives - Drilling

The relevant Statement of Environmental Objectives for drilling activities conducted in PEL 115 is the South Australia Cooper Basin Operators Drilling and Well Operations: Statement of Environmental Objectives (Santos 2003). Environmental objectives in relation to the drilling of the wells were met as follows:

1. Minimise the risk to public and other third parties - achieved.
2. Minimise disturbance and avoid contamination to soil – soil disturbance restricted to well lease and access areas, soil contamination as a result of incidents minimised and confined to drill site areas and camp leases. All contaminated soil was removed from site for disposal at Moomba.
3. Avoid the introduction or spread of pest plants and animals and implement control measures as necessary – achieved.
4. Minimise disturbance to drainage patterns and avoid contamination of surface waters and shallow ground water resources – achieved.
5. Avoid disturbance to sites of cultural and heritage significance – achieved.
6. Minimise loss of aquifer pressures and avoid aquifer contamination – achieved.
7. Minimise disturbance to native vegetation and native fauna – achieved.
8. Minimise air pollution and greenhouse gas emissions – achieved.
9. Maintain and enhance partnerships with the Cooper Basin community – achieved.
10. Avoid or minimise disturbance to stakeholders and/or associated infrastructure - achieved.
11. Optimise waste reduction and recovery - achieved.
12. Remediate and rehabilitate operational areas to agreed standards
Lightning-1 – achieved to date: well cased and suspended for future completion, site awaiting final rehab following completion or P&A.

Jindivik-1 – achieved to date: well P&A, final ripping and clean-up to be carried out in conjunction with Lightning-1, if applicable.

Lancer-1 – achieved to date: well P&A, final ripping and clean-up to be carried out in conjunction with Lightning-1, if applicable.

Compliance with Statement of Environmental Objectives - Production

The relevant Statement of Environmental Objectives for the activities at Ventura #1, Mirage #1, Mirage #3 and Mirage #4 is the Statement of Environmental Objectives: Acrasia Field (PEL 90, Cooper Basin) Extended Petroleum Production Test (Stuart Petroleum August 2002). Environmental objectives in relation to the extended production testing of the wells were met as follows:

1. Avoid disturbance to sites of Aboriginal and non-indigenous heritage significance – achieved.
2. Minimise direct disturbance to vegetation and habitat – achieved.
3. Minimise soil impacts – achieved.
4. Minimise disturbance to gibber surfaces – not applicable at Victoria Petroleum sites.
5. Avoid disturbance to rare, endangered, vulnerable species – achieved.
6. Avoid impacts on high biological value or high wilderness value areas – achieved.
7. Minimise fire risk at facility and prevent the spread of any fires to wellhead – achieved.
8. Avoid facility spills – achieved.
9. In the event of a facility spill, minimise impacts on biota, soils and surface water (including rapid cleanup) – not applicable – no spills occurred.
10. Avoid transportation spills - achieved
11. In the event of a transportation spill, minimise the likelihood of its spread, minimise impacts of fire resulting, cleanup of oil-affected land – not applicable – no transportation spills occurred.
12. Formation water cleaned to no visible oil (equivalent to approximately < 30ppm hydrocarbons) before disposal – not applicable – formation water retained in holding ponds and not disposed to land.
13. Minimise adverse impact on livestock – achieved.
14. Avoid contamination of stockwaters with hydrocarbons – achieved.
15. Minimise visual impacts – achieved.
16. Minimise public and third party risks – achieved.
17. Minimise workforce hazards – achieved.

Detailed information on the individual instances of non-compliance are provided below in designated sections.

Licence Non-Compliance

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

No.	Stated Commitment	Reason for Non-Compliance	Rectification of Non-Compliance
nil			

Regulatory Non-Compliance

Table 5 List of regulatory non-compliances for current reporting year

No.	Activity	Details of Non-Compliance
1	Mirage #4	Well Completion Report Submitted after due date
2	Lightning #1	Well Completion Report Submitted after due date Wireline Log data submitted after due date
3	Jindivik #1	Well Completion Report Submitted after due date Wireline Log data submitted after due date

Rectification of Non-Compliance:

The regulatory non-compliances listed above reflect a difficulty in maintaining the reporting and data submission flow that results from a busy drilling program. The failures listed above can generally be related to the difficulty in obtaining final products from service companies in a timely and orderly manner, which assists the licensee in maintaining compliance. The Operator has instituted an electronic reporting schedule to assist in meeting the compliance deadlines. On-going training is being undertaken to ensure that the schedule is maintained by relevant staff. Service contractors and consultants are advised at the commencement of projects that their final products must be delivered within a time-frame to allow the Operator to meet the compliance schedule.

Management System Audits

Pursuant to Regulation 33(2) under the Act, an annual report must include

- (d) *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 Management System Audits were undertaken during the reporting period.

Report and Data Submissions

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

- (e) *a list of all reports and data relevant to the operation of the Act generated by the licensee during the licence year.*

Table 6 List of report and data submissions during current licence reporting year

Description of Report/Data	Date Due	Date Submitted	Compliant / Non-Compliant
Geophysics			
Coobowie Seismic Reprocessing Project			
- Processing Report	11 July '08	1 August '07	Compliant
- Interpretation Report	11 July '08	1 August '07	Compliant
- Reprocessed Seismic Data	11 July '08	1 August '07	Compliant
Mirage 3D Seismic Survey			
- Environment Report	29 September '06	17 May 2006	Compliant
- Processed Data	29 September '06	16 May 2006	Compliant
- Interpretation Report	29 September '06	14 September '06	Compliant
Wells			
Mirage #2			
- Well Completion Report	23 August 2006	21 August 2006	Compliant
- Mirage #2 Core Photography and Analysis Report – Additional report containing photos not included with WCR	n/a	19 September 2006	n/a
- Mirage #2 Petrology and Special Core analysis – Additional Report	n/a	29 November 2006	n/a
Mirage #3			
- Well Completion Report	15 September 2006	28 August 2006	Compliant
- Post-fracture Treatment Report	6 February 2007	22 September 2006	Compliant
Mirage #4			
- Well Completion Report	3 October 2006	6 November 2006	Non-compliant
- Post-fracture Treatment Report	9 February 2007	22 September 2006	Compliant
Lightning #1			
- Well Completion Report	28 October 2006	6 November 2006	Non-compliant
- Wireline logs, digital and prints	22 June 2006	29 May 2006	Compliant
Jindivik #1			
- Well Completion Report	18 November 2006	18 December 2006	Non-compliant
- Petrology of Core Samples and Core Analysis Report	18 November 2006	15 September 2006	Compliant
- Wireline logs, digital and prints	15 July 2006	20 July 2006	Non-compliant

Incidents

Pursuant to Regulation 33(2), an annual report must include:

(f) *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”.*

Table 7 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
nil					

Threat Prevention

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

(g) *a report on any reasonably foreseeable threats (other than threats previously reported on) that reasonably presents, 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.

Future Work Program

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

(h) *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”.*

Table 9

Activity	Depth	Commencement	Duration
Exploration Well 1	2000m	n/a	14 Days
Exploration Well 2	2000m	n/a	14 Days
Exploration Well 3	2000m	n/a	14 Days
Exploration Well 4	2000m	n/a	14 Days
Exploration Well 5	2000m	n/a	14 Days
Geochemical Survey	20 samples	March 2008	10 Days

5 Expenditure Statement

Pursuant to Regulation 33(3) under the Act, 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:

drilling activities;

seismic activities;

technical evaluation and analysis;

other surveys;

facility construction and modification;

operating and administration expenses (not already covered under another heading)".

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

APPENDIX 1 Expenditure Statement

Commercial in Confidence