

Santos

PEL 114 Annual Report

Year 3

This report has been prepared in accordance with the requirements of the Petroleum Act 2000 and Petroleum Regulations 2000 and covers all of the operations conducted in PEL 114 by Santos Ltd for the period 22 July 2005 to 21 July, 2006.
This Report was provided to PIRSA on 21 September 2006.

PEL 114 Year 3 Annual Report

INDEX

1. Introduction
2. Executive Summary
3. Summary of Regulated Activities
4. Compliance
5. Incidents
6. Management System
7. Risk Assessment
8. Threats
9. Emergency Response
10. Seismic Exploration Activities
11. Drilling and Well Operations
12. Production Facility Operations
13. Statement of Proposed Expenditure, 2004
14. Performance measured against SEO
15. Appendices & References
16. Glossary of Terms

2005 ANNUAL REPORT

1. Introduction

This report covers the activities conducted in Petroleum Exploration Licence # 114 (PEL 114) in the period 2005-2006. PEL 114 is located in the South Australian section of the Cooper and Eromanga Basins (SACB) and is held 100% and operated by Santos Ltd. The Licence became effective on 22 May 2003 and expires on 21 July 2008.

During this Year 3 reporting period (22 July 2005 - 21 July 2006) the activity in PEL 114 was the drilling of four wells (Stimpee-2, Frostillicus-1, Stimpson Jay-1, Hoek-1ST1). Stimpee-1, a Year 2 expenditure well, was drilled early in the current reporting period on approval of PIRSA, but was fully documented in the Year 2 report.

In accordance with the reporting requirements of Regulation 33, this report also provides a performance assessment with regard to the requirements of the *Petroleum Act 2000*, the *Petroleum Regulations 2000*, and licences and objectives under the *Statement of Environmental Objectives (SEO)* (see Appendix 3).

2. Executive Summary

There were no serious or reportable incidents or accidents, according to the definitions of the Petroleum Act or Regulations, which resulted in injury or illness to any member of the general public associated with the activities conducted in PEL 114.

A request was submitted to PIRSA on 15 November 2005, seeking approval to combine the 10 well Year 3, 4 & 5 commitment into a single commitment of 7 wells and 200km² 3D seismic. This request was subsequently approved on 2 December 2005.

3. Summary of Regulated Activities

The *Regulated Activities* conducted by Santos Ltd while exploring for petroleum within PEL 114 were:

- o Access road / track construction to three well locations,
- o Well lease and campsite construction for three wells,
- o Borrow pit construction.

4. Compliance

The activities covered by this report are administered under the *Petroleum & Gas Act (2000)* and the *Petroleum & Gas Regulations (2000)* and the *Statement of Environmental Objectives (SEO)* covering seismic operations in the Cooper Basin (1998).

The SEO covering seismic exploration activities is under review. Public comment has been sought and comments received are being considered. While this review and update has continued, the original SEO document continued to be used.

There was good compliance with the requirements of the Petroleum Act and Regulations and the SEO. There were no areas where non-compliance with the relevant legislation or SEO was identified.

The Permit Year 2 Annual Report was submitted on 20 September 2005.

5. Incidents

The *Petroleum & Gas Act (2000)* defines all *Serious Incidents* that are required to be reported promptly to PIRSA. There were no incidents resulting in any injury to any member of the public and there were no *Serious or Reportable Safety or Environmental Incidents* recorded during this reporting period in PEL 114.

6. Management System Audits

No audits were conducted during the reportable period.

7. Risk Assessment

As part of the original application to PIRSA to conduct the drill the four wells, Santos included an *Emergency Response Plan (ERP)* together with a *Statement of Environmental Objectives (SEO)* and an *Environmental Impact Report (EIR)*. These outlined the risks and threats anticipated as a result of the drilling operations and identified measures to prevent their occurrence. Additionally the drilling contractor abides by a site-specific safety and environmental plan that is used in conjunction with the Santos ERP.

8. Threats

There were no serious threats identified due to the drilling activities conducted in this Licence area during the reportable period.

9. Emergency Response

An *Emergency Response Plan (ERP)* and *Environmental Plan* were developed for activities conducted in South Australia, including PEL 114. In the event of an incident, the SACBJV resources would be mobilised to assist.

10. Seismic Exploration Activities

During this reporting period the remaining processing of the NE Murteree Horst 3D Seismic Survey, conducted in Year 1, was completed and a Final Interpretation Report for the survey was submitted to PIRSA on 14 April 2005.

Cultural Heritage Clearance

Pre-clearance of the Bugito-Kobari seismic survey area was conducted by Australian Heritage Services Pty. Ltd. in August 2006 in conjunction with representatives of the Yandruwandha/Yawarrawarrka Native Title Claimant Group.

Future Seismic Activities – Year 4

The Bugito-Kobari seismic survey will acquire 187km² of 3D seismic in PEL 114. Seismic acquisition will begin in late August with processing finalised by February 2007.

11. Drilling and Well Operations

Four wells were drilled during the reporting period; Stimpee-2, Frostillicus-1, Stimpson Jay-1 and Hoek-1. All four wells were cased and suspended but only three wells contributed to the PEL 114 work commitment (Stimpee-2 excluded).

Activity dates were:

a) Environmental Clearance of Well Lease:

Stimpee-2:

Frostillicus-1:

Stimpson Jay-1:

Hoek-1:

b) Well Lease Preparation:

Stimpee-2:

Frostillicus-1:

Stimpson Jay-1:

Hoek-1:

c) Drilling:

Stimpee-2 spudded 19 September 2005; released 19 September 2005

Frostillicus-1 spudded 24 May 2006, released 24 May 2006

Stimpson Jay-1 spudded 6 June 2006, released 17 June 2006:

Hoek-1 spudded 25 June 2006, released 13 July 2006

Cultural Heritage Clearance

Pre-clearance of the Stimpee-2, Frostillicus-1, Stimpson Jay-1 and Hoek-1ST1 drilling projects was conducted by Australian Heritage Services Pty. Ltd. in May 2006 in conjunction with representatives of the Yandruwandha/Yawarrawarrka Native Title Claimant Group.

Future Activities – Year 4

During Year 4, Santos may undertake a number of drills in PEL 114 following the interpretation of the Bugito-Kobari 3D seismic survey if time permits.

12. Production and Processing Operations

Stimpee 1 and Teringie 1 produced approximately 39 Mbbl and 16 Mbbl of oil respectively during year 3 under Extended Production Testing licences during Year 3. No other production or processing operations were conducted within PEL 114 during the reporting period.

Future Activities – Year 4

Following discussions with PIRSA, permission to carry out Extended Production Tests on the Frostillicus, Stimpson Jay and Hoek discoveries, an application will be made to further extend the EPTs for Stimpee and Teringie.

It is anticipated that separate applications for Petroleum Production Licences will be made for the Stimpee, Teringie, Frostillicus, Stimpson Jay and Hoek discoveries in Year 5. Further production activities will be dependant upon the success of the Year 4 and 5 drilling activity.

13. Statement of Proposed Expenditure

Commercial in Confidence

14. Performance Measured Against SEO

See Appendix 3.

15. Appendices & References

Appendices

1. Financial Summary
2. List of Reports (Reg 33 (2) e)
3. Performance Measured Against SEO

APPENDIX 2
List of Reports and Data

#	Report Title	Comment
1	Permit Year 2 Annual Report	Submitted to PIRSA 20 September 2005
2	Well Completion Report – Teringie-1	Submitted to PIRSA 4 January 2006
3	Well Completion Report – Ren-1	Submitted to PIRSA 20 January 2006
4	Well Completion Report – Stimpee-1	Submitted to PIRSA 24 January 2006
5	Well Proposal – Frostillicus-1	Submitted to PIRSA 18 April 2006
6	Well Proposal – Stimpson Jay-1	Submitted to PIRSA 18 April 2006
7	Well Proposal – Hoek-1	Submitted to PIRSA 12 April 2006
8	Permit Year 3 Annual Report	Submitted to PIRSA 21 September 2006

**APPENDIX 3
Performance Measured Against SEO**

CREW PERFORMANCE MEASURED AGAINST THE S.E.O.

Objective	Assessment Criteria	2005-6 Performance against Objectives
<p>1. Monitor and manage those activities that have, or are likely to have, temporary impacts on biological diversity, cultural components of the environment, underground water resources (confined and unconfined aquifers) and surface waters or other land users, and facilitate rehabilitation so as to minimise such impacts if they occur.</p>	<p>1.1 to minimise clearing and/or other impacts on native vegetation and wildlife habitats.</p> <p>1.2 minimise impact on other land users.</p> <p>1.3 to discourage third party use of sites, following the completion of operations.</p> <p>1.4 to minimise adverse impacts on soil.</p> <p>1.5 to minimise adverse impact on surface drainage.</p> <p>1.6 to minimise adverse impact on underground water resources.</p> <p>1.7 to minimise impact of operations.</p> <p>1.8 to minimise pollution, litter or remnant equipment at survey sites.</p>	<p>Compliant. No impacts identified.</p> <p>No other land users identified.</p> <p>No third party use identified</p> <p>Compliant.</p> <p>Compliant.</p> <p>Compliant: Frostillicus-1, Stimpson Jay-1, Hoek-1ST1 all cased & suspended.</p> <p>Compliant.</p> <p>Compliant.</p>

<p>2. Avoid undertaking any activities which have, or are likely to have, long-term significant adverse impact(s) on biological diversity, cultural components of the environment, underground water resources (confined and unconfined aquifers), surface waters and other land uses.</p>	<p>2.1 to avoid disturbance to cultural heritage sites.</p>	<p>Compliant.</p>
	<p>2.2 to avoid activities that have long term impacts on areas of high biological diversity or wilderness value, or have social or scientific significance.</p>	<p>No impact identified. Compliant.</p>
	<p>2.3 to avoid disturbance to rare and endangered fauna and flora.</p>	<p>Compliant.</p>
	<p>2.4 to avoid the introduction and spread of exotic species.</p>	<p>Compliant.</p>
	<p>2.5 to minimise the risk of initiation and/or propagation of wildfire.</p>	<p>Compliant.</p>

16. Glossary of Terms

DAAR	Department of State Aboriginal Affairs & Reconciliation
DST	Drill stem test
EHSMS	Environment Health & Safety Management System
EIR	Environmental Impact Report prepared in accordance with Section 97 of the <i>Petroleum Act 2000</i> and Regulation 10
EPA	Environment Protection Authority
EPBC	Environment Protection and Biodiversity Conservation (<i>Act 1999</i>)
ERP	Emergency response plan
GAB	Great Artesian Basin
GAS	Goal attainment scaling
KPI	Key performance indicator
NASAA	National Association Sustainable Agriculture Australia
NEPM	National Environment Protection Measures (Assessment of Contaminated Sites)
PEL	Petroleum exploration licence
PIRSA	Primary Industries and Resources South Australia
PPE	Personal protective equipment
PPL	Petroleum production licence
SACB	South Australian Cooper Basin
SACBJV	South Australian Cooper Basin Joint Venture
SACOME	South Australian Chamber of Mines and Energy
SEO	Statement of Environmental Objectives prepared in accordance with Section 99 and 100 of the <i>Petroleum Act 2000</i> and Regulations 12 and 13.