
PEL 66

Onshore Otway Basin

South Australia

Permit Year 3 (Term 2)

Annual Report

For the Period

18 June 2003 to 17 June 2004

Prepared by:
Origin Energy Resources Ltd

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1 Introduction

Petroleum Exploration Licence No. 66 ("PEL 66") is located in the onshore portion of the Otway Basin, South Australia. This report covers the work performed by Origin Energy Resources Ltd as Operator of PEL 66 *in accordance with requirements of Section 33 of the Petroleum Regulations 2000*, for the period 18 June 2003 to 17 June 2004, being the third year of the second permit term.

2 Administration

The working interests in the permit at the end of the reporting period were as follows:

Origin Energy Resources Ltd	70% (Operator)
Beach Petroleum NL	30%

The minimum work commitment for permit year 3 (term 2) was for 20 km of seismic surveying at a total estimated cost of \$100,000.

3 Regulated Activities

Section 33.(2) (a) a summary of the regulated activities conducted under the licence during the year:

3.1 Drilling

No exploration drilling was undertaken during the report period.

3.2 Seismic Data Acquisition

No seismic data were acquired during the report period.

3.3 Seismic Data Processing/Reprocessing

No seismic data processing/reprocessing was undertaken during the report period.

3.4 Geological and Geophysical Studies

G&G studies for the permit year were mainly focussed on a comprehensive prospectivity analysis and the identification of leads that could have been matured to drillable status after the acquisition of additional 2D seismic data.

Unfortunately no such objectives were identified within the borders of PEL 66. In addition to that the Weatherall prospect in neighbouring PEL 83 which had the potential of extending into PEL 66 had been significantly down-graded following recent seismic reprocessing and interpretation work (report submitted for PEL 83¹).

Mapping of the Hungerford Down-Dip region also failed to recognise a potential structure that would justify the acquisition of additional 2D seismic data. The central portion of PEL 66 is located directly above the Kalangadoo Basement High and is devoid of significant thickness of Crayfish Group. Additional exploration work in the Tantanoola Trough in the southernmost portion of PEL 66 is considered to be unjustified mainly due to a high CO₂ risk associated with

the Mt. Burr volcanic range and the generally unknown depth, stratigraphy and source rock potential of the Tantanoola Trough. The recent integration of 3 additional lines from the 1991 IWA Seismic Survey near Crankshaft 1 in the northern portion of PEL 66 did not alter the low prospectivity assessed for this part of the permit.

4 Compliance Issues

4.1 Regulatory Compliance

Section 33.(2) (b) a report for the year on compliance with the Act, these regulations, the licence and any relevant statement of environmental objectives.

The Permit is operated as per the requirements of the "Statement of Environmental Objectives for Seismic Operations in the Otway Basin, South Australia"², and a report issued by PIRSA entitled "The Environmental Management of Seismic Operations in the South East of South Australia"³. Drilling operations are conducted as per the requirements of the "Statement of Environmental Objectives for Drilling Pad and Access Road Construction on Private Land, Otway Basin South Australia"⁴.

No environmental incidents were reported during the permit year.

4.2 Rectification of Non-Compliance

Section 33.(2) (c) 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.

The work commitment for permit year 3 (term 2) was for 20 km of seismic surveying, however, no seismic data had been acquired by the end of the reporting period. As a result of the existing fair seismic coverage of the exploration permit and the lack of any identified leads, Origin Energy Resources Ltd, as operator in PEL 66, was unable to comply with the committed additional seismic surveying. The guaranteed work program was excessive in relation to the low prospectivity seen for PEL 66.

A detailed account of the exploration work undertaken in PEL 66 was presented to PIRSA on 24 February 2004 in order to discuss the foreseeable issue of non-compliance. Prior to the end of Year 3 and prior to any response from PIRSA on this matter, Origin Energy Ltd had reached an agreement with Lakes Oil NL over the purchase of its exploration interest in PEL 66. However, this purchase agreement has not yet been finalized and submitted to the authorities.

This annual report has not been submitted within the regulated time schedule as the compliance issue has been overlooked during the ongoing sales process.

4.3 Management System Audits

Section 33.(2) (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 action that has, or will be, taken.

No audits were undertaken during the licence year due to lack of field activities.

4.4 Data Submissions

Section 33.(3). (e) a list of all reports and data relevant to the operation of the Act generated by the licensee during the relevant licence year.

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4.5 Safety

Section 33.(2) f in relation to any incidents reported to the Minister under the Act and these regulations during the relevant licensing year-

Section 33.(2) f (i) an overall assessment and analysis of the incidents, including the identification and analysis of any trends that have emerged.

Section 33.(2) f (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 minimize the risk of recurrence of any such non-compliance.

No reportable incidents occurred during the reporting period.

4.6 Threat Prevention

Section 33.(2) (g) 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.

4.7 Licence Conditions and Future Work Program

Section 33.(2) (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.

Origin Energy Ltd and Beach Petroleum are about to sell their exploration interests in PEL 66 to Lakes Oil NL and the relevant documents will soon be submitted to the authorities.

The current work commitment for permit year 4 includes G&G studies at an indicative cost of \$25,000.

5 Expenditure Statement

Section 33.(3) An annual report must be accompanied by a statement of expenditure on regulated activities conducted under the licence for the relevant licence year.

An Expenditure Statement for the PEL 66 Joint Venture during the period from 18 June 2003 to 17 June 2004 is attached.

PEL 66 ONSHORE OTWAY BASIN, SOUTH AUSTRALIA

18 JUNE 2003 TO 17 JUNE 2004 (PERMIT YEAR 2)

STATEMENT OF EXPENDITURE

Commercial in confidence

6 References

1. PEL83, ONSHORE OTWAY BASIN SOUTH AUSTRALIA, 2003 Wetherall Reprocessing, Final Report Interpretation: - submitted 7 October 2003).
2. CD Cockshell and KR Langley, 2001. "Statement of Environmental Objectives for Seismic Operations in the Otway Basin, South Australia". Primary Industries and Resources SA, Report Book 2001/020.
3. "The Environmental Management of Seismic Operations in the South East of South Australia", 4th edition 1996. Issued by the Department of Primary Industries and Resources Petroleum Division (formerly MESA).
4. "Statement of Environmental Objectives for Drilling Pad and Access Road Construction on Private Land, Otway Basin, South Australia". Origin Energy Resources Limited.