



INNAMINCKA
PETROLEUM

ANNUAL REPORT

PERMIT YEAR 5

22 January 2008 - 21 January 2010

PEL 101

COOPER BASIN SOUTH AUSTRALIA

INNAMINCKA PETROLEUM LIMITED

PERMIT YEAR 5

PEL 101 ANNUAL REPORT

CONTENTS

ANNUAL REPORT	1
1 Introduction.....	1
2 Permit Summary.....	2
2.1 Permit Year 5	2
2.2 Permit Renewal	3
2.3 Joint Venture	3
3 Exploration Activity	4
3.1 Drilling (and related activities)	4
3.2 Seismic Data Acquisition	4
3.3 Seismic Data Processing and Reprocessing.....	4
3.4 Geological and Geophysical Studies.....	4
4 Compliance Issues	5
4.1 License and Regulatory Compliance.....	5
4.2 Management Systems Audits.....	6
4.2.1 <i>Drilling Activities</i>	6
4.2.2 <i>Seismic Activities</i>	7
4.3 Data Submissions	7
4.4 Safety	9
4.5 Threat Prevention.....	9
4.6 Future Work Program.....	9
5 Expenditure Statement.....	9

LIST OF APPENDICES

NO.	CONTENTS
1	INP Compliance Record with activity SEO(s) Statement of Environmental Objectives for Drilling and Well Operations in the Cooper / Eromanga Basin – South Australia (November 2003)
2	Summary Expenditure Report (to 21 January 2010 – Permit Year 5) (Note: This Report is to be removed for the website posted copy)

2 Permit Summary

2.1 *Permit Year 5*

As at 22 January 2008 (end of Permit Year 4), PEL 101 remained in good standing with the commitment to drill the two (2) exploration wells by 22 January 2009 (end Permit Year 5). The work programme for the permit at the commencement of Permit Year 5 was as follows:

PERMIT YEAR	WORK PROGRAMME
Years 1 & 2	Drill 2 wells, 100 km 2D seismic acquisition (completed)
Year 3	Geological & Geophysical Studies
Years 4 & 5	Drill 2 wells

Crocus South 1 exploration well being the first of the 2 commitment wells was drilled during April and May 2008.

Funding for the 2nd commitment well had been compromised by unplanned expenditure requirements for Innamincka's nearby PEL 103 Flax development. The JV applied for a 6 month permit suspension to PEL 101 on 26 September 2008 which was approved by PIRSA on 25 November 2008, for the period from 26 September 2008 to 25 March 2009 with the 5 year term expiring on 22 July 2009.

In early 2009 AGL farmed in to PEL101 and subsequent JV discussions concluded that it unlikely that the gas assets in PEL101 will be commercially exploitable unless combined with a PEL103 gas development based on CSG. Accordingly, such CSG exploration activity needed to be completed prior to the PEL101 JV determining the preferred approach to completing its existing permit commitments, being the remaining commitment well obligation. On 26 June 2009 Innamincka applied for a further suspension of the permit to allow time for such decisions to be made.

PIRSA approved on 15 July 2009, a 6 month suspension to PEL 101 from 26 June 2009 to 26 December 2009 with the 5 year term expiring on 22 January 2010.

On 20 January 2010, PIRSA approved a variation to PEL 101 work commitment, revising the Years 4 & 5 commitment to 1 well subject to the relinquishment of an additional 25% of the licence area at first renewal of PEL 101.

PERMIT YEAR	WORK PROGRAMME
Years 1 & 2	Drill 2 wells, 100 km 2D seismic acquisition (completed)
Year 3	Geological & Geophysical Studies
Years 4 & 5	Drill 1 well*

*Subject to the relinquishment of an additional 25% of licence area. The additional relinquishment of licence area will take effect upon the first renewal of PEL101.

2.2 Permit Renewal

In accordance with the Petroleum Act 2000, Section 26, the PEL 101 permit was subject to partial relinquishment at the end of the initial 5 year term. The permit renewal has been finalised. The renewed PEL 101 is in 4 segments covering approximately 153 km².

2.3 Joint Venture

The joint venture for PEL 101 at the time of commencement for Permit Year 5 was:

- | | | |
|--|---|-----|
| 1. Innamincka Petroleum Limited (INP) – Operator | - | 60% |
| 2. MidContinent Equipment (Australia) Pty Ltd | - | 40% |

INP has subsequently during the reporting period entered into a farmin agreement with AGL Energy Limited ("AGL"), with AGL acquiring from INP a 35% interest in PEL 101. This agreement was executed on 19 January 2009.

The joint venture post the AGL farmin and at the conclusion of Permit Year 5 is as follows:

- | | | |
|--|---|-----|
| 1. Innamincka Petroleum Limited (INP) – Operator | - | 25% |
| 2. MidContinent Equipment (Australia) Pty Ltd | - | 40% |
| 3. AGL Energy Limited | - | 35% |

3 Exploration Activity

3.1 Drilling (and related activities)

The Phase 6 2008 Drilling Programme commenced in January 2008 with 5 wells drilled in total in the various INP licenses. Only one well was drilled within PEL 101. Results of this well are summarized below:

Crocus South 1: Crocus South 1 spudded 30 April 2008 and was designed as an exploration well to test the Early Permian Epsilon and Patchawarra Formations. The well reached a total depth of 3419m. Log interpretation has not identified any conventional net hydrocarbon pay. Although calculated net sand in the Permian section meet conventional net pay criteria in terms of sandstone quality and low calculated water saturations, subjective evaluation has only suggested some of these intervals as Possible gas pay based on gas shows and sand quality. This interpretation has evaluated 3.32m of Possible gas pay in the Patchawarra Formation in four intervals. Crocus South 1 was cased and suspended with casing set at 3408m. The rig was released on 23 May 2008.

3.2 Seismic Data Acquisition

No seismic (2D or 3D) acquisition was undertaken during Permit Year 5.

3.3 Seismic Data Processing and Reprocessing

No additional seismic reprocessing was undertaken during Permit Year 5.

3.4 Geological and Geophysical Studies

The Crocus South 1 prospect was delineated and worked up as a drilling prospect for 2008 Phase 6 drilling programme.

4 Compliance Issues

4.1 License and Regulatory Compliance

As required, INP maintains a register of non-compliance issues and the following table summarises those matters of non-compliance for Permit Year 5.

License Non-Compliance				
No.	Stated Commitment	Reason for Non-Compliance	Rectification of Non-Compliance	
1	<ul style="list-style-type: none"> No non-compliance issues to report. 	<ul style="list-style-type: none"> 	<ul style="list-style-type: none"> 	
Regulatory Non-Compliance (& Formal Warnings):				
<ul style="list-style-type: none"> 2000 SA Petroleum Regulations/Act Approved SEOs under the Act/Regulations Approved activity EIRs/EARs/ERCs 				
No.	Date	Activity	Non-Compliance Description	Rectification of Non-Compliance
1	23/06/08	Drilling	<ul style="list-style-type: none"> On 27/05/08 PIRSA Compliance Officers while inspecting Crocus 1 wellsite identified a potential non-compliance of INP's Statement of Environmental Objectives, ("SEO"). These being rubbish, (scattered degraded plastic pit liner) remaining in a dried mud pit i.e. Objective 11 of the SEO states that all wastes are to be disposed of at an EPA licensed facility. 	<ul style="list-style-type: none"> The rubbish has been cleaned-up. Processes have been implemented whereby field staff will conduct routine periodic inspections of ALL wellsites (pre and post rehabilitation) to ensure that the intentions of this SEO objective are complied with fully.
2	11/10/08	Documentation	<ul style="list-style-type: none"> Submission of Quarterly Cased Hole Report 1Q 2008 past due date of 30/04/08. Submitted 11/10/08. 	<ul style="list-style-type: none"> INP has instigated a regulatory compliance checking system (Tenement Tracker – 05) in order to flag operational and reporting compliance and ensure responsibility for undertaking compliance is internally assigned and checked-off for completion.
3	17/10/08	Documentation	<ul style="list-style-type: none"> Submission of Quarterly Cased Hole Report 2Q 2008 past due date of 30/07/08. Submitted 17/10/08. 	<ul style="list-style-type: none"> INP has instigated a regulatory compliance checking system (Tenement Tracker – 05) in order to flag operational and reporting compliance and ensure responsibility for undertaking compliance is internally assigned and checked-off for completion.
4	03/12/08	Documentation	<ul style="list-style-type: none"> Submission of Crocus South #1 WCR past due date of 23/11/08. 	<ul style="list-style-type: none"> WCR digital data submitted. Review format compliance of future submissions.

			<ul style="list-style-type: none"> Resubmission date 3/12/08 	
5	23/06/09	Documentation	<ul style="list-style-type: none"> Submission of Quarterly Cased Hole Report 1Q 2009 past due date of 30/04/09. Submitted 23/06/09. 	<ul style="list-style-type: none"> INP has instigated a regulatory compliance checking system (Tenement Tracker – 05) in order to flag operational and reporting compliance and ensure responsibility for undertaking compliance is internally assigned and checked-off for completion.
6	05/08/09	Documentation	<ul style="list-style-type: none"> Submission of Quarterly Cased Hole Report 2Q 2009 past due dates of 30/07/09. Submitted 05/08/09. 	<ul style="list-style-type: none"> INP has instigated a regulatory compliance checking system (Tenement Tracker – 05) in order to flag operational and reporting compliance and ensure responsibility for undertaking compliance is internally assigned and checked-off for completion.

4.2 Management Systems Audits

4.2.1 Drilling Activities

No full Management System Audits were carried out during the year. Normal System components (e.g. checklists, guides etc.) were amended and updated as part of internal constant review and use, which is a part of the overall Management System Audit Process.

During the reporting period, Fatchen Environmental Pty Ltd was commissioned to conduct an environmental review of wellsite and related operations in PELs 101 and 103, including PRL 14. A field inspection was conducted from 25 to 27 September 2008, covering:

- Existing wellsites: currently in or coming into operation, suspended, and plugged and abandoned.
- Campsites, borrow areas and other infrastructure directly associated with wellsites.
- Borrow pits.
- Access roads.

Following this field inspection, a report, "Summary Environmental Review and Rehabilitation Planning for Well and Related Operations, PEL 103 and PEL 101" was prepared and distributed, internally and to PIRSA. Any management and rehabilitation issues found during the inspections which indicated potential unsatisfactory compliance with Statements of Environmental Objectives were rectified immediately.

As a result of the environmental and rehabilitation review, the following needs were identified:

- Expedite the cleanup and maintenance of long-suspended wellsites, to reduce the lapse in time between abandonment and rehabilitation of wellsites.

- Investigate means for rectifying apparent difficulties of rehabilitation at abandoned sites where rehabilitation works have not been sufficient or have not succeeded as intended.

Subsequently in November 2008 a further field inspection was conducted with Fatchen Environmental Pty Ltd to prioritize the identified rehabilitation work. Following this inspection, a further report "Wellsite and Borrow Pit Rehabilitation and Maintenance Priority" was prepared and distributed, internally and to PIRSA.

The status of wellsites in PEL 101 are as follows:

WELL NAME	PERMIT	REHABILITATED (yes/no)	Well Status	STATUS (eg Environmental Audit completed)
Crocus 1	PEL 101	No	C & S	Initial lease clean-up completed, and site rehabilitated for possible future activities.
Crocus South 1	PEL 101	No	C & S	Initial lease clean-up completed, and site rehabilitated for possible future activities.
Ginko 1	PEL 101	No	C & S	Initial lease clean-up completed, and site rehabilitated for possible future activities.

Upon completion of site restoration, audits against the EIR/SEO (GAS Scaling) will be undertaken and results reported to DEH/PIRSA.

4.2.2 Seismic Activities

No seismic activities were operated by INP during the permit year within PEL 101.

4.3 Data Submissions

The following data was submitted to PIRSA during the permit year:

No.	Document / Report Description	Date Due	Date Submitted	Compliant (Yes/No)
Well Proposal Documents:				
1	Well Application to Drill (Part 1) - Crocus South 1	NA	27/03/08	Yes
2	Well Application to Drill (Part 2) - Crocus South 1	NA	15/04/08	Yes
Drilling Reports:				
1	Daily Reports inclusive of; Pre-Spud Report Daily Drilling Reports Daily Geological Reports LOPT/FIT Report Blowout Preventer Test Report 9 ⁵ / ₈ " Surface Casing and Cementing Report	Within 24hrs of Activity	29/04/08 30/04/08 – 23/05/08 01/05/08 – 22/05/08 04/05/08 03/04/08 03/05/08	Yes

No.	Document / Report Description	Date Due	Date Submitted	Compliant (Yes/No)
	7" Production Casing and Cementing Report		21/05/08	
Open-Hole Wireline Logs:				
1	Crocus South 1	21/06/08	04/06/08	Yes
Cased-Hole Wireline Logs:				
1	None submitted.	NA	NA	NA
Well Completion Reports:				
1	Crocus South 1 - Well Completion Report	23/11/08	18/11/08 Resubmission 03/12/08	No
Quarterly Cased Hole Reports:				
1	Quarterly Cased Hole Report 1Q 2008	30/04/08	11/10/08	No
2	Quarterly Cased Hole Report 2Q 2008	30/07/08	17/10/08	No
3	Quarterly Cased Hole Report 3Q 2008	30/10/08	17/10/08	Yes
4	Quarterly Cased Hole Report 4Q 2008	30/01/09	30/01/09	Yes
5	Quarterly Cased Hole Report 1Q 2009	30/04/09	23/06/09	No
6	Quarterly Cased Hole Report 2Q 2009	30/07/09	05/08/09	No
7	Quarterly Cased Hole Report 3Q 2009	30/10/09	27/10/09	Yes
8	Quarterly Cased Hole Report 4Q 2009	30/01/10	29/01/10	Yes
Well Down-hole Diagrams:				
1	None submitted.	NA	NA	NA
Production Data Reports:				
1	None submitted.	NA	NA	NA
Other Engineering Reports:				
1	None submitted.	NA	NA	NA
Seismic Reports:				
1	None submitted.	NA	NA	NA
Other Reports/Documents:				
1	2008 PEL101 Annual Report, (Permit Year4).	21/03//08	19/03/08	Yes
2	2008 Notice of Intended Entry, (All 2008/9 Activities).	NA	20/03/08	Yes
3	Summary Environmental Review and Rehabilitation Planning for Well and Related Operations, PEL 103 and PEL 101.	NA	02/12/08	Yes
4	Wellsite and Borrow Pit Rehabilitation and Maintenance Priority.	NA	06/01/09	Yes

No.	Document / Report Description	Date Due	Date Submitted	Compliant (Yes/No)
5	2009 Notice of Intended Entry, (All 2009/10 Activities).	NA	20/03/09	Yes

4.4 Safety

During the permit year, the following safety incidents were recorded and duly reported as per the requirements under the SEO:

No.	Date	Activity	Type*	Incident Description
1		Drilling		<p>Drilling:</p> <ul style="list-style-type: none"> No significant safety Incidents were recorded / reported during any drilling related activities.
2		Engineering		<p>Engineering / Field Operations:</p> <ul style="list-style-type: none"> No significant safety Incidents were recorded/reported during any field activities.

* LTI-Lost Time Incident MTI-Medical Treatment Incident ADI-Alternative Duties Incident

4.5 Threat Prevention

No threats were identified or reported on during the year.

4.6 Future Work Program

Proposed activities for Permit Year 1 of PEL 101 include:

- Permit activity will likely be limited to geological and geophysical studies.
- No field activity is planned.

5 Expenditure Statement

A Summary of Expenditure to **21 January 2010** has been included in Appendix 2.

This financial statement is “Commercial in Confidence” and to be removed from the website copy of this report.

APPENDIX 1

INP COMPLIANCE RECORD WITH ACTIVITY SEO(s)

For

PERMIT YEAR 5

TABLE 1

INP COMPLIANCE AGAINST SEO(S) OBJECTIVES

Note: All Activities undertaken during the permit year (Permit Year 5) and reported on in this Annual Report, relate to activity specific and approved SEOs (generically the same in regards to the Environmental Objectives as listed below).

TABLE 1: INP COMPLIANCE FOR <u>DRILLING ACTIVITIES</u>			
SEO: South Australia Cooper Basin Operators Statement of Environmental Objectives: Drilling and Well Operations			
Environmental objective	Comment	Guide to How Objective Can Be Achieved	Assessment and Compliance Statement
<p>1. Minimise the risk to public and other third parties.</p>	<p>The criteria for assessing the achievement of this objective have been developed on the basis of the current understanding of the risks associated with drilling and well operations.</p> <p>The key to achieving this objective in relation to both downhole abandonment and surface well site restoration is to ensure that the visual prominence of the abandoned well site and its access track(s) is minimised to the extent where it is difficult for third parties to detect and therefore access these sites. The backfilling of the well cellar and the removal of rubbish from the restored well site should be carried out.</p> <p>Fires or explosions at well sites could result in complications resulting in a spill of production fluids (formation water and hydrocarbon), atmospheric emissions, disturbance of native vegetation and wildlife habitat, loss of reservoir pressure, and risk to employees, contractors and the public.</p> <p>The movement of heavy equipment associated with rig moves present a risk to the safety of employees, contractors and third parties (ie tourists).</p>	<ul style="list-style-type: none"> • All employees and contractor personnel complete a safety induction prior to commencement of work in the field. • All employees and contractor personnel undertake a refresher induction every 2 years. • Signage in place to warn third parties of access restrictions to operational areas, with particular warnings when potentially dangerous operations are being undertaken. • Permit to work systems in place for staff and contractors in dangerous situations. • All appropriate PPE (personnel protective equipment) is issued and available as required in accordance with company operating requirements and applicable standards. • Effective Emergency Response Plan (ERP) and procedures are in place in the event of a fire or explosion. • Annual exercise of ERP. • Communication of rig moves and other potential hazards to safety associated with drilling and well operations to potentially affected parties prior to commencement of operations. • Reporting systems for recording injuries and accidents in place, and annual; (at minimum) review of records to determine injury trends. 	<ul style="list-style-type: none"> • Reasonable measures implemented to ensure no injuries to the public or third parties. <p style="margin-top: 10px;"><i>Compliance Statement: INP, to its knowledge, believes it has complied with all obligations required under this SEO objective. INP has implemented the positions of full time field based supervisors to monitor and direct all field operations. As part of this position, all field procedures are being reviewed to ensure ongoing compliance with the terms of this objective.</i></p>

TABLE 1: INP COMPLIANCE FOR DRILLING ACTIVITIES

SEO: South Australia Cooper Basin Operators Statement of Environmental Objectives: Drilling and Well Operations

Environmental objective	Comment	Guide to How Objective Can Be Achieved	Assessment and Compliance Statement
		Implementation of appropriate corrective actions. <ul style="list-style-type: none"> Ensuring safety management plans are updated and reviewed. 	
2. Minimise disturbance and avoid contamination to soil.	The impacts associated with soil disturbance can potentially include wind and water erosion and dust generation. The main source of disturbance to soils is associated with lease and access track construction, creation of borrows pits, restoration activity, vehicle movement in off-road locations and sub-surface excavations (i.e. sumps, flare pits and borrow pits).	<p><u>Well Site and Access Track Construction</u></p> <ul style="list-style-type: none"> Consider alternate routes during planning phase to minimise environmental impacts Gibber mantle on access tracks and well sites (excluding sumps) has not been removed, only rolled, during construction and restoration on gibber and tableland land systems. Topsoil stockpiled (including gibber mantle) from sump construction and respread on abandonment. The need to traverse sensitive land systems and the methods of managing the impacts should be justified in accordance with company procedures, recorded and available for auditing. <p><u>Production Testing / Well Blowdowns</u></p> <ul style="list-style-type: none"> If appropriate use: <ul style="list-style-type: none"> impermeable flare pit flare tanks. <p><u>Fuel and Chemical Storage and Handling</u></p> <ul style="list-style-type: none"> All fuel, oil and chemical storages banded in accordance with the appropriate standards Records of spill events and corrective actions maintained in accordance with company procedures. Spills or leaks are immediately reported and 	<p><u>Well Site and Access Track Construction</u></p> <ul style="list-style-type: none"> 0, +1 or +2 GAS criteria are attained for “Minimise visual impacts of abandoned wellsites and access tracks” objective as listed in Appendix 4 for well lease and access track construction. No unauthorised off-road driving or creation of shortcuts. No construction activities are carried out on salt lakes, steep tableland land systems or wetlands land systems (as defined in EIR). <p><u>Borrow pit construction and restoration</u></p> <ul style="list-style-type: none"> 0, +1 or +2 GAS criteria are attained for “Minimise Visual Impacts for constructing borrow pits” objective as listed in Appendix 3, and “Minimise visual impacts” and “Minimise impact on soil” objectives as listed in Appendix 5. <p><u>Production Testing/Well Blowdowns</u></p> <ul style="list-style-type: none"> No soil contamination as a result of production testing or well blowdown operations. <p><u>Fuel and Chemical Storage and Handling</u></p> <ul style="list-style-type: none"> No spills/leaks outside of areas designed to contain them. Level of hydrocarbon continually decreasing for in situ remediation of spills. Soils remediated to a level as determined by the SHI process.

TABLE 1: INP COMPLIANCE FOR DRILLING ACTIVITIES

SEO: South Australia Cooper Basin Operators Statement of Environmental Objectives: Drilling and Well Operations

Environmental objective	Comment	Guide to How Objective Can Be Achieved	Assessment and Compliance Statement
		<p>clean up actions initiated.</p> <ul style="list-style-type: none"> • Logged incidents are reviewed annually to determine areas that may require corrective action in order to reduce spill volumes in subsequent years (and drive continual improvement). • Chemical and fuel storage procedures, including signage, are reviewed and monitored in audit process. <p><u>Spill Response / Contingency Planning</u></p> <ul style="list-style-type: none"> • Results of emergency response procedures carried out in accord with Regulation 31 show that oil spill contingency plan in place in the event of a spill is adequate and any necessary remedial action needed to the plan is undertaken promptly. • Oil spill contingency plan (reviewed annually) is up to date with specific scenarios relating to spills to creeks and floodplain areas. • Spill response equipment is audited annually. • Annual spill response training exercise is undertaken. <p><u>Waste Disposal (domestic, sewage and sludges)</u></p> <ul style="list-style-type: none"> • Covered bins are provided for the collection and storage of wastes. • All loads of rubbish are covered during transport to the central waste facility. • Pits are not established in locations, which pose an unacceptable hazard to stock or wildlife. 	<ul style="list-style-type: none"> • All domestic wastes are disposed of in accordance with EPA licensing requirements. • 0, +1 or +2 GAS criteria for 'Waste material' objective is attained. • No spills or leaks from sewage treatment process and sludge pits. <p><u>Compliance Statement:</u> INP, to its knowledge, and through implementing the EIR/ EAR requirements, believes that it has complied with all obligations required under this SEO objective.</p> <p><i>Note: An issue of potential non compliance was identified by PIRSA Compliance Officers on a field visit, (27 May 2008). The potential</i></p>

TABLE 1: INP COMPLIANCE FOR DRILLING ACTIVITIES

SEO: South Australia Cooper Basin Operators Statement of Environmental Objectives: Drilling and Well Operations

Environmental objective	Comment	Guide to How Objective Can Be Achieved	Assessment and Compliance Statement
			<p><i>non compliance pertained to some rubbish and remnants of degraded plastic liner being left in the mud pit and scattered at Crocus 1. At that time the leases had yet to be rehabilitated. The rubbish has been cleaned-up. Processes have now been implemented whereby field staff will conduct routine periodic inspections of ALL wellsites (pre and post rehabilitation) to ensure that the intentions of this SEO objective are complied with fully.</i></p>
<p>3. Avoid the introduction or spread of pest plants and animals and implement control measures as necessary.</p>	<p>Activity associated with lease and access track construction, such as movement of vehicles and equipment, is a potential source of weed or disease introduction and spread. The most effective technique to prevent the introduction and spreading of weed species is to ensure that vehicles and equipment are appropriately cleaned prior to entry into a construction site.</p>	<ul style="list-style-type: none"> • Where appropriate a weed and feral animal management strategy is in place (avoidance and control strategies). • Rig and vehicle wash downs are initiated in accordance with the management strategy. 	<ul style="list-style-type: none"> • No weeds or feral animals are introduced to operational areas. <p>Compliance Statement: <i>INP, to its knowledge, and through implementing the EIR/EAR/ERC requirements, believes that it has complied with all obligations required under this SEO objective.</i></p>
<p>4. Minimise disturbance to drainage patterns and avoid contamination of surface waters and shallow ground water resources.</p>	<p>The main threats to drainage patterns and surface waters, and shallow ground waters are considered to be interruption of natural flows as a result of earthworks and contamination.</p> <p>Access track and well site selection should aim to minimise impact to drainage systems, by avoiding sensitive areas and appropriate construction methods to avoid windrows.</p> <p>There is potential for the contamination of chemical and fuel storage areas, from oil and gas systems at well heads, during</p>	<p>Drilling Mud Sumps and Flare Pits</p> <ul style="list-style-type: none"> • All drill cuttings, muds and non toxic drill fluids are contained within the designated mud sumps with adequate freeboard at the completion of operations to allow for a 1m cover of clean fill at remediation. <p>Well Heads (Oil and Gas Systems)</p> <ul style="list-style-type: none"> • Where appropriate, imperviously lined well cellars are installed on oil wells. • Chemical containment devices are installed 	<p>Well Lease and Access Track Construction</p> <ul style="list-style-type: none"> • Well leases and access tracks are located and constructed to maintain pre-existing water flows (i.e. channel contours are maintained on floodplains and at creek crossings). <p>Drilling Mud Sumps and Flare Pits</p> <ul style="list-style-type: none"> • No overflow of drill cuttings, muds and other drilling fluids from mud sumps. • No waste material disposal to sumps and flare pits. <p>Well Heads (Oil and Gas Systems)</p> <ul style="list-style-type: none"> • No leaks/spills outside of areas designed to contain them.

TABLE 1: INP COMPLIANCE FOR DRILLING ACTIVITIES

SEO: South Australia Cooper Basin Operators Statement of Environmental Objectives: Drilling and Well Operations

Environmental objective	Comment	Guide to How Objective Can Be Achieved	Assessment and Compliance Statement
	<p>transportation of fuel and chemicals and during transportation of wastes. Localised contamination may result from spills or leaks of well operations chemicals (eg. corrosion inhibitors) during storage and handling.</p>	<p>on gas well skids.</p> <ul style="list-style-type: none"> • Well heads shut in and chemicals removed prior to flood events. • Jet pumps are installed within containment device with an adequately sized containment sump. <p><u>Well Blowdown/Production Testing</u></p> <ul style="list-style-type: none"> • Activity is conducted in accordance with accepted industry standards / good oilfield practice. • If appropriate use: <ul style="list-style-type: none"> - impermeable flare pit - flare tanks - separators - supervision <p><u>Fuel and Chemical Storage and Handling</u></p> <ul style="list-style-type: none"> • All fuel, oil and chemical storages banded in accordance with the appropriate standards • Records of spill events and corrective actions maintained in accordance with company procedures. • Spills or leaks are immediately reported and clean up actions initiated. • Logged incidents are reviewed annually to determine areas that may require corrective action in order to reduce spill volumes in subsequent years (and drive continual improvement). • Chemical and fuel storage procedures, including signage, are reviewed and monitored in audit process. <p><u>Spill Response / Contingency Planning</u></p> <ul style="list-style-type: none"> • Results of emergency response procedures carried out in accord with Regulation 31 show 	<p><u>Well Blowdown/Production Testing</u></p> <ul style="list-style-type: none"> • No water (surface or groundwater) contamination as a result of production testing or well blowdown operations. <p><u>Fuel/Chemical Storage and Handling</u></p> <ul style="list-style-type: none"> • No leaks/spills outside of areas designed to contain them. <p><u>Compliance Statement:</u> <i>INP, to its knowledge, and through implementing the EIR/ EAR requirements, believes that it has complied with all obligations required under this SEO objective. All well testing and well abandonment operations are conducted to ensure compliance with this objective.</i></p>

TABLE 1: INP COMPLIANCE FOR DRILLING ACTIVITIES

SEO: South Australia Cooper Basin Operators Statement of Environmental Objectives: Drilling and Well Operations

Environmental objective	Comment	Guide to How Objective Can Be Achieved	Assessment and Compliance Statement
	<p>The major threat of spills is the threat to soil, vegetation and watercourses directly impacted by the spill. Therefore, the achievement of this objective also consequently contributes to the achievement of Objectives 2 and 7 in relation to minimising the impacts on soil and natural habitats.</p> <p>Avoidance of spills will be paramount in areas where the spill can be potentially spread beyond the immediate confines of the spill area into sensitive environments such as creeks and wetlands.</p>	<p>that oil spill contingency plan in place in the event of a spill is adequate and any necessary remedial action needed to the plan is undertaken promptly.</p> <ul style="list-style-type: none"> • Oil spill contingency plan (reviewed annually) is up to date with specific scenarios relating to spills to creeks and floodplain areas. • Spill response equipment is audited annually. • Annual spill response training exercise is undertaken. 	
<p>5. Avoid disturbance to sites of cultural and heritage significance.</p>	<p>The aim of the objective is to ensure that any sites of cultural (Aboriginal or non-Aboriginal) heritage significance are identified and protected.</p>	<ul style="list-style-type: none"> • Consultation with stakeholders (i.e. government agencies, landholders etc) in relation to the possible existence of heritage sites, as necessary. • Heritage report forms completed for any sites or artefacts identified, and report forms forward to the Department of State Aboriginal Affairs (DOSAA). • Survey records are kept and are available for auditing. • Areas requiring remediation which lie outside previously surveyed sites should be surveyed in accordance with company heritage clearance procedures. <p>Note: Where a negotiated agreement or determination for heritage clearance is in place, compliance with the negotiated agreement or determination takes precedence over the above criteria.</p>	<ul style="list-style-type: none"> • Proposed well sites and access tracks have been surveyed and any sites of Aboriginal and non- Aboriginal heritage identified. • Any identified cultural and heritage sites have been avoided. <p>Compliance Statement: <i>INP, to its knowledge, and through implementing the EIR / EAR requirements, believes that it has complied with all obligations required under this SEO objective. All well sites and access tracks were located subject to the clearance given by the NT Clearance Team and all sites of significance were identified and where necessary cordoned off to prevent access. As part of the prespud meetings, all staff are made aware of the regulations and restrictions pertaining to areas of NT significance.</i></p>

TABLE 1: INP COMPLIANCE FOR DRILLING ACTIVITIES

SEO: South Australia Cooper Basin Operators Statement of Environmental Objectives: Drilling and Well Operations

Environmental objective	Comment	Guide to How Objective Can Be Achieved	Assessment and Compliance Statement
<p>6. Minimise loss of aquifer pressures and avoid aquifer contamination. Minimise loss of aquifer pressures and avoid aquifer contamination.</p>	<p>This objective seeks to protect the water quality and water pressure of aquifers that may potentially be useful as water supplies, and to maintain pressure in sands that may host petroleum accumulations elsewhere.</p> <p>To address this objective, the risks of cross flow between aquifer cells known to be permeable and in natural hydraulic isolation from each other, or where there is insufficient information to determine that they are permeable or in hydraulic communication, must be assessed on a case by case basis and procedures implemented to minimize the fresh water aquifer cells from contamination and isolate potential and producing formations from formations that may deplete the reservoir pressure when not on production.</p> <p>The following geological formations are aquifers in the Cooper-Eromanga Basins. They may contain permeable sands which may be in natural hydraulic isolation from each other (from shallowest to deepest), and in general isolation will be maintained between these groups:</p> <ul style="list-style-type: none"> • Eyre; • Winton, • Mackunda; • Coorikiana; • Cadna-owie; • Murta (including McKinlay Member) • Namur, Adori, • Birkhead, Hutton, Poolowanna, • Cuddapan; Nappamerri Group 	<p><u>Drilling & Completion Activities</u></p> <ul style="list-style-type: none"> • A competent cement bond between aquifer and hydrocarbon reservoirs is demonstrated. For cases where isolation of these formations is not established, a risk assessment incorporating the use of pressure / permeability / salinity data is undertaken in consultation with DLWBC & AAWCMB to determine if lack of cement or poor bond will cause or has caused damaging crossflow which needs to be remediated. <p><u>Producing, Injection and, Inactive Wells</u></p> <ul style="list-style-type: none"> • Monitoring programs implemented (eg. Through well logs, pressure measurements, casing integrity measurements and corrosion monitoring programs) to assess condition of casing and cross-flow behind casing. • Casing annulus pressures are monitored every 2 years. • The condition of the primary casing barrier is adequate. • For cases where crossflow is detected, a risk assessment incorporating the use of pressure / permeability / salinity data is undertaken in consultation with DLWBC & AAWCMB to determine if lack of cement or poor bond will cause or has caused damaging crossflow which needs to be remediated. <p><u>Well Abandonment Activities</u></p> <ul style="list-style-type: none"> • Isolation barriers are set in place to ensure that crossflow, contamination or pressure reduction will not occur. • Barriers will be set to meet or exceed the requirements of applicable standards for the decommissioning and abandonment of water bores and abandonment of petroleum wells. 	<p><u>Drilling & Completion Activities</u></p> <ul style="list-style-type: none"> • There is no uncontrolled flow to surface (Blow out). • Sufficient barriers exist in casing annulus to prevent crossflow between separate aquifers or hydrocarbon reservoirs. • Relevant government approval obtained for abandonment of any radioactive tool left downhole. <p><u>Producing, Injection, Inactive and Abandoned Wells</u></p> <ul style="list-style-type: none"> • No cross-flow behind casing between aquifers, and between aquifers and hydrocarbon reservoirs unless approved by DWLBC. <p><u>Compliance Statement:</u> <i>INP, to its knowledge, and through implementing the EIR/ EAR requirements, believes that it has complied with all obligations required under this SEO objective.</i></p>

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Environmental objective	Comment	Guide to How Objective Can Be Achieved	Assessment and Compliance Statement
	<p>formations, Walkandi and Peera Peera formations</p> <ul style="list-style-type: none"> • Toolachee; Daralingie; • Epsilon, Patchawarra or Mt Toodna or Purni; • • Tirrawarra sandstone or Stuart Range; Merrimelia; Boorthanna; Crown Point formations and Basement reservoirs. <p>Note: Crossflow (if it occurs), should not compromise the long term sustainability of a particular resource.</p>	<ul style="list-style-type: none"> • The placement of isolation barriers will in general be to isolate the groups of formations as listed under comments. The number and placement of barriers may be varied from this standard approach on a case-by case basis by SACB Operator personnel using relevant available data and the SA Cooper Basin Water Pressure and Salinity Module Report (2002), and in consultation with DWLBC. 	
<p>7. Minimise disturbance to native vegetation and native fauna.</p>	<p>Primary risks to native fauna include clearing of habitat and obstruction of movement through cleared areas, the presence of borrow pits, fuel and chemical storage and management, and waste management activities.</p>	<p><u>Well Lease and Access Track Construction and Restoration</u></p> <ul style="list-style-type: none"> • Proposed well sites, camp sites, access tracks and borrow pit sites have been assessed for rare, vulnerable and endangered flora and fauna species before the commencement of construction. • Consider alternate routes during planning phase to minimise environmental impacts • Facilities (e.g. borrow pits, well cellars) are designed and constructed as far as practicable to minimise fauna entrapment. • Sumps and mud pits are fenced as appropriate to minimise wildlife access • Assessment records are kept and are available for auditing. • In recognised conservation reserves (i.e. Innamincka Regional Reserve) excavations are left in a state as agreed with the responsible statutory body • Borrow pits are restored to minimise water holding capacity, where agreements are not in place with stakeholders. 	<p><u>Well Lease and Access Track Construction and Restoration</u></p> <ul style="list-style-type: none"> • Any sites with rare, vulnerable and endangered flora and fauna have been identified and avoided. • 0, +1 or +2 GAS criteria are attained for “Minimise impacts on vegetation” objective as listed in Appendix 2, during well lease and access track site selection and construction and for “Re-establish natural vegetation on abandoned well sites and access track” objective in Appendix 4. <p><u>Borrow Pits Construction and Restoration</u></p> <ul style="list-style-type: none"> • 0, +1 or +2 GAS criteria are attained for “Minimise impacts on vegetation” objective as listed in Appendix 4 during borrow pit site selection and construction, and “Minimise Impact on Vegetation” objective in Appendix 5 for borrow pit restoration.

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SEO: South Australia Cooper Basin Operators Statement of Environmental Objectives: Drilling and Well Operations

Environmental objective	Comment	Guide to How Objective Can Be Achieved	Assessment and Compliance Statement
		<p><u>Waste Management</u></p> <ul style="list-style-type: none"> • Covered bins are provided for the collection and storage of wastes. • All loads of rubbish are covered during transport to the central waste facility. • Pits are not established in locations, which pose an unacceptable hazard to stock or wildlife. 	<p><u>Waste Management</u></p> <ul style="list-style-type: none"> • Refer to assessment criteria for Objective 11. <p><u>Fuel and Chemical Storage and Management</u></p> <ul style="list-style-type: none"> • Refer to assessment criteria for Objectives 2 and 4. <p><u>Compliance Statement:</u> INP, to its knowledge, and through implementing the EIR/ EAR requirements, believes that it has complied with all obligations required under this SEO objective.</p>
<p>8. Minimise air pollution and greenhouse gas emissions.</p>	<p>Atmospheric emissions occur as a result of standard practices undertaken during drilling and well operations. Emissions of particular environmental significance are:</p> <ul style="list-style-type: none"> • combustion by-products (eg. oxides of nitrogen, carbon monoxide and sulphur dioxide); • organic carbon and carbon particulates (black smoke); and • flared/vented hydrocarbons (gases). 	<p><u>Well Testing</u></p> <ul style="list-style-type: none"> • Conduct well testing in accordance with appropriate industry accepted standards. • Continually review and improve operations. • Appropriate emergency response procedures are in place for the case of a gas leak. <p><u>Well Blowdown</u></p> <ul style="list-style-type: none"> • Blowdown carried out in accordance with industry accepted standards / good production practice. • Any well that is consistently blown down is identified for a small ID tubing or plunger lift installation to minimise blow downs on that well. 	<ul style="list-style-type: none"> • Compliance with EPA requirements. <p><u>Compliance Statement:</u> INP, to its knowledge, and through implementing the EIR/ EAR requirements, believes that it has complied with all obligations required under this SEO objective.</p>
<p>9. Maintain and enhance partnerships with the Cooper Basin community.</p>	<p>The importance of liaison with and contribution to the local community is recognised by the South Australian Cooper Basin Operators. Notification, consultation, contribution to community activities, projects and events and membership of relevant organisations are considered to be key strategies for ensuring partnerships with the local community are enhanced.</p>	<ul style="list-style-type: none"> • Relevant affected parties are notified and consulted on proposed activities. • Forward development plans are presented to the local community. • Local community projects and events are sponsored and supported where appropriate. • Industry membership of appropriate regional land management committees and boards i.e. the Lake Eyre Basin Consultative Council, Marree Soil Conservation Board, and 	<ul style="list-style-type: none"> • No unresolved reasonable complaints from the community. <p><u>Compliance Statement:</u> INP, to its knowledge, and through implementing the EIR/ EAR requirements, believes that it has complied with all obligations required under this SEO objective. No issues have been raised by any other stakeholder regarding activities undertaken by INP</p>

TABLE 1: INP COMPLIANCE FOR DRILLING ACTIVITIES

SEO: South Australia Cooper Basin Operators Statement of Environmental Objectives: Drilling and Well Operations

Environmental objective	Comment	Guide to How Objective Can Be Achieved	Assessment and Compliance Statement
		Catchment Committees.	
10. Avoid or minimise disturbance to stakeholders and/or associated infrastructure	Communication and the establishment of good relations with stakeholders and community is fundamental to minimising disturbance to as low as practicably possible. Many pastoral properties are certified under the Organic Beef or CattleCare accreditation schemes and therefore may be affected by fuel and chemical storage, moving machinery and contaminated sites.	<ul style="list-style-type: none"> • Induction for all employees and contractors covers pastoral, conservation, legislation and infrastructure issues. • Relevant stakeholders are notified prior to survey and construction of well sites, camp sites and access tracks and undertaking of operations (pursuant to Petroleum Regulations). Borrow pits left open (unrestored) if requested by landholder and upon receipt of letter of transfer of responsibility to landholder. • Gates or cattle grids are installed to a standard, consistent with pastoral infrastructure in fences where crossings are required for access. • All gates left in the condition in which they were found (ie. open/closed). • Potential sources of contamination are fenced as appropriate to prevent stock access. • System is in place for logging landholder complaints to ensure that issues are addressed as appropriate. • Requirements of the Cattle Care and Organic Beef accreditation programs are complied with. • In recognised conservation reserves (i.e. Innamincka Regional Reserve) excavations are left in a state as agreed with the responsible statutory body. 	<ul style="list-style-type: none"> • No reasonable stakeholder complaints left unresolved. <p>Compliance Statement: <i>INP, to its knowledge, has complied with all obligations required under this SEO objective. INP works closely with fellow stakeholders to ensure good relations are maintained and all issues that may have an affect are communicated and resolved.</i></p>
11. Optimise waste reduction and recovery.	Waste reduction requires continual improvements in purchasing, efficiency of use and reuse. Due to the distances involved the costs of recycling a large range of products is not possible however	<ul style="list-style-type: none"> • Bulk chemical and oil purchasing and use of “bulki bins” or other storage tanks in place for large volume items. 	<ul style="list-style-type: none"> • With the exception of drilling fluids, drill cuttings and other fluids disposed during well clean-up, and sewage wastes, all wastes to be disposed of at an EPA licensed facility in accordance with EPA Licence conditions.

TABLE 1: INP COMPLIANCE FOR DRILLING ACTIVITIES

SEO: South Australia Cooper Basin Operators Statement of Environmental Objectives: Drilling and Well Operations

Environmental objective	Comment	Guide to How Objective Can Be Achieved	Assessment and Compliance Statement
	<p>continual review of recycling options is required to ensure that any opportunities are taken advantage of.</p>		<ul style="list-style-type: none"> • Attainment of GAS criteria for “Site left in clean, tidy and safe condition after final clean-up” objective during well site restoration (refer Appendix 4). • Attainment of GAS criteria for “Site left in clean, tidy and safe condition” objective during borrow pit restoration (refer Appendix 5). <p><u>Compliance Statement:</u> <i>INP, to its knowledge, and through implementing the EIR / EAR requirements, believes that it has complied with all obligations required under this SEO objective.</i></p>
<p>12. Remediate and rehabilitate operational areas to agreed standards.</p>		<p>Rehabilitation/ abandonment plans for surface activities will be developed in consultation with relevant stakeholders</p> <p><u>Well Site and Access Track Restoration</u></p> <ul style="list-style-type: none"> • Compacted soil areas have been ripped (except on gibber and tablelands) and soil profile and contours are reinstated following completion of operations. 	<ul style="list-style-type: none"> • No unresolved reasonable stakeholder complaints. <p><u>Contaminated Site Remediation</u></p> <ul style="list-style-type: none"> • Contaminated sites are remediated in accordance with criteria developed with the principles of the National Environment Protection Measure for Contaminated sites and in consultation with the EPA. <p><u>Well Site and Access Track Restoration</u></p> <ul style="list-style-type: none"> • The attainment of 0, +1 or +2 GAS criteria for (refer Appendix 4): <ul style="list-style-type: none"> - “minimise visual impact of abandoned well sites” - “minimise visual impact of abandoned access tracks” - “re-establish natural vegetation on abandoned well sites and access tracks” <p><u>Borrow Pit Restoration</u></p> <ul style="list-style-type: none"> • The attainment of 0, +1 or +2 GAS criteria for (refer Appendix 5): <ul style="list-style-type: none"> - “minimise impact on vegetation”

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			<ul style="list-style-type: none"> - "minimise impact on soil" - "Minimise visual impacts" <p>Note: Well abandonment issues addressed under objective 6.</p> <p>Compliance Statement: <i>INP, to its knowledge, and through implementing the EIR requirements, believes that it has complied with all obligations required under this SEO objective. See note above for INP's Compliance Statement for Objective 2 regarding rubbish on the Crocus 1 drilling lease.</i></p>

APPENDIX 2

Expenditure Report to 21 January 2010

PERMIT YEAR 5