

Stuart Petroleum



Annual Report (rev 1)

Licence Year 1

14th January 2009 – 13th January 2010

Petroleum Retention Licence
PRL 16 (Dunoon)

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1 Introduction

Petroleum Retention Licence (PRL) 16 was granted to Stuart Petroleum Limited and Beach Oil and Gas Pty Limited on 14th January 2009 for a five year term, in order that the Joint Venture could evaluate the nature and extent of the Dunoon Field oil accumulation and establish the commercial feasibility of production from the accumulation. The Licence is located in the Eromanga Basin, South Australia.

Dunoon 2 was spudded on 3rd December 2006 and drilled to a total depth of 1460.5m with the rig being released on 18th December 2006. Three barrels of oil and three barrels of mud were recovered from a drillstem test of a 1.5m oil pay interval within the Murta Formation.

This report details the work conducted during Licence Year 1 of the licence (14th January 2009 – 13th January 2010 inclusive), in accordance with Regulation 33 of the Petroleum and Geothermal Energy Act 2000.

2 Permit Summary

For the duration of the licence year, licensees for Petroleum Retention Licence (PRL) 16 were:

- Stuart Petroleum Limited 66.67%
- Beach Oil and Gas Pty Limited 33.33%

The current work commitments (including all variations) associated with PRL 16 can be seen in Table 1.

Table 1 Current work commitments by licence year

Licence Year	Licence dates	Minimum Work Program
Year 1	14 th January 2009 – 13 th January 2010	Geological, Engineering and Commercial Studies
Year 2	14 th January 2010 – 13 th January 2011	Geological, Engineering and Commercial Studies
Year 3	14 th January 2011 – 13 th January 2012	Geological, Engineering and Commercial Studies
Year 4	14 th January 2012 – 13 th January 2013	Geological, Engineering and Commercial Studies
Year 5	14 th January 2013 – 13 th January 2014	Geological, Engineering and Commercial Studies

Licence Year 1 concluded on 13th January 2010. 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 2 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	Geological, Engineering and Commercial Studies	Geological, Engineering and Commercial Studies
Year 2	Geological, Engineering and Commercial Studies	
Year 3	Geological, Engineering and Commercial Studies	
Year 4	Geological, Engineering and Commercial Studies	
Year 5	Geological, Engineering and Commercial Studies	

3 Regulated Activities

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

“a summary of the regulated activities conducted under the licence during the [current reporting] year.”

This information is detailed below in designated sections.

Drilling and Related Activities

No regulated activities undertaken in the licence reporting period.

Seismic Data Acquisition

No regulated activities undertaken in the licence reporting period.

Seismic Data Processing and Reprocessing

No regulated activities undertaken in the licence reporting period.

Geochemical, Gravity, Magnetic and other surveys

No regulated activities undertaken in the licence reporting period.

Production and Processing

Dunoon 2 was shut-in on 28th January 2009 following several well tests which confirmed the well was producing predominantly water (300 bwpd) with negligible oil production (1-2 bopd).

The rented surface pumping unit was demobilised on 7th March 2009.

Pipeline/Flowline Construction and Operation

The stock tank at Dunoon has been emptied and will be used in another location.

Pipework is still in place but has been decommissioned.

Wall thickness checks were conducted during the licence year and results recorded in Stuart's CMMS.

Preliminary Survey Activities

No regulated activities undertaken in the licence reporting period.

4 Compliance Issues

Licence and Regulatory Compliance

Pursuant to Regulations 33(2) (b) & (c), an annual report must include:

“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 minimise the likelihood of recurrence of any such non-compliances.”

Stuart Petroleum Limited, as operator of the PRL 16 area, complies with all relevant conditions under the Petroleum and Geothermal Energy Act 2000 and the Petroleum and Geothermal Energy Regulations 2000. Compliance is achieved by working under the Cooper Basin Production SEO.

No drilling, seismic or production activities took place in PRL 16 during licence year 1. There were no instances of non-compliance with the regulations in regard to these operations in PRL 16 nor were there any instances of non-compliance with the Statement of Environmental Objectives in the Cooper Basin.

Compliance with Statement of Environmental Objectives

Table 3 SEO for Cooper Basin Petroleum Production Operations (Dunefield and Floodplain)

Objective	Assessment Criteria	Compliant / Non-Compliant	Comments
Objective 1: Minimise public and third party risks	Includes: No public or third party incidents	Compliant	Signage at intersection prohibiting entry, warning against trespassing
Objective 2: Minimise fire risk at facilities and prevent the spread of any fires to wellheads	Includes: No wellhead fires	Compliant	No fires occurred
Objective 3: Avoid disturbance to sites of Aboriginal and non-indigenous heritage significance	Includes: Proposed wellsites, access and ancillary areas have been surveyed and any sites of Aboriginal and non-indigenous heritage identified	Compliant	Such heritage areas surveyed and identified prior to production activities
Objective 4: Avoid impacts on high biological value or wilderness value areas; minimise impacts on lowest active floodplain levels	Includes: Facility locations assessed for biological and wilderness value and assessment documented in site-specific information	Compliant	Facility locations evaluated in environmental risk assessment
Objective 5: Avoid significant drainage alterations and minimise minor alterations	Includes: Extended and permanent production facilities located above frequently flooding floodplains	Compliant	Storage, loading and water disposal facilities are located above lower levels of floodplains

Objective 6: Minimise soil impacts both of construction and of routine use: maintain soil integrity	Includes: No unauthorised off-road driving or creation of short cuts	Compliant	Vehicles kept to prepared surfaces
Objective 7: Minimise disturbance to vegetation and habitat	Includes: No unauthorised off-road driving or creation of short cuts, or other unauthorised activities outside access and work areas	Compliant	Ongoing road maintenance undertaken
Objective 8: Avoid disturbance to rare, endangered and/or vulnerable species	Includes: Sites with rare, vulnerable and endangered flora and fauna present or potentially present have been identified	Compliant	Areas of major faunal considerations identified in EIR
Objective 9: Prevent introduction of pest plants and animals	Includes: No new weeds or feral animals introduced to operational areas or along associated access.	Compliant	Routine checks for appearance of pest species
Objective 10: Avoid storage and loading facility spills	Includes: No production or process fluid, or fuel or chemical spills or leaks outside areas designed to contain them	Compliant	No spills occurred
Objective 11: Undertake rapid cleanup and impact minimisation following spills	Includes: No release of production fluid onto active floodplain, floodouts or channels	Compliant	No spills occurred
Objective 12: Avoid transportation spills	Includes: No production or process fluid, or fuel or chemical spills or leaks outside areas designed to contain them	Compliant	Procedures in place for safe movement of hydrocarbon transport
Objective 13: Minimise the likelihood of spread of a transportation spill	Includes: No release of production fluid onto active floodplain, floodouts or channels	Compliant	No movement on wet roads or in wet conditions
Objective 14: Minimise impacts of fire from any transportation spill	Includes: No production or process fluid, or fuel or chemical spills or leaks outside areas designed to contain them	Compliant	Emergency Response Plan in place
Objective 15: Avoid contamination of surface waters and groundwater	Includes: No produced water released from containment areas with visible oil present (>30mg/L)	Compliant	No produced water escaped containment
Objective 16: Minimise visual impacts	Includes: Visual impacts considered in site planning and development	Compliant	Existing unobtrusive access used
Objective 17: Prevent cross-connection between aquifers, and between aquifers and reservoirs	No cross-flow behind casing between aquifers, and between aquifers and hydrocarbon reservoirs unless approved by DWLBC	Compliant	Condition monitoring programs in place
Objective 18: Minimise air pollution and greenhouse gas emissions	Compliance with regulatory legislative requirements	Compliant	Regular maintenance of equipment
Objective 19: Minimise adverse impact on Regional Reserve operations	No unresolved reasonable complaints	Compliant	No complaints received
Objective 20: Minimise adverse impact on livestock	Includes: Facility and water disposal are fenced	Compliant	Stock proof fencing located around facility and water disposal areas
Objective 21: Avoid contamination of stockwaters with hydrocarbons	Includes: No production or processing fluid spills or leaks outside areas designed to contain them	Compliant	No oil released outside containment areas

Objective 22: Minimise waste handling and disposal impact	Includes: No spills or leaks from sewage disposal system	Compliant	Production camp sewerage disposed of via permanent septic tank system
Objective 23: Remediate and rehabilitate construction impacts, abandoned surface facilities and access or suspended wellsite and access	Includes: 0, +1 or +2 GAS criteria are attained for all objectives listed in Tables 2 to 5, during facility and access track site selection, construction and rehabilitation	Compliant	No unsuccessful drilling attempts or removal of flowlines occurred
Objective 24: Undertake long-term planning for rehabilitation for potential producing wellsite/wellfields	Planning completed and rehabilitation objectives developed prior to facility abandonment	Compliant	Rehabilitation plan developed for abandoned wellsites
Objective 25: Maintain partnerships in community	Includes: EIR and SEO process in place	Compliant	EIR and SEO documentation in place

Management System Audits

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

“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 regulated activities undertaken in the licence reporting period.

Report and Data Submissions

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

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

No reports or data were submitted during the licence period.

Incidents

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

“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”.*

No reportable incidents occurred during the licence period.

Threat Prevention

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

“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”.

Stuart Petroleum Limited sees no perceived threats that may present a hazard to either facilities or activities under the PRL 16 licence.

Future Work Program

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

“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”.

The work that will be undertaken for PRL 16 during Year 2 will be minimal. Engineering options will be closely evaluated to establish the commercial viability of the field.

5 Expenditure Statement

Pursuant to Regulation 33(3) under the Act, an annual report must contain:

“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) facility 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.