

Neo Oil Pty Ltd

Annual Report

Licence Year 3

28th Jan 2007 - 27th Jan 2008

PEL 186

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1 Introduction

Petroleum Exploration Licence (PEL) 186 was granted to Neo Oil Pty Ltd on 28th January, 2005. The licence is located in the Otway Basin, South Australia. This report details the work conducted during Licence Year 3 of the licence (28th Jan 2007 – 27th Jan 2008 inclusive), in accordance with Regulation 33 of the Petroleum Act 2000.

No AFLs were in place associated with this licence.

2 Permit Summary

For the duration of the licence year, licensees for Petroleum Exploration Licence (PEL) 186 were:

- Neo Oil Pty Ltd 100%

The current work commitments (including all variations) associated with PEL 186 can be seen in Table 1.

Table 1 Current work commitments by licence year

Licence Year	Licence dates	Minimum Work Program
Year 1	28 th Jan 2005 – 27 th Jan 2006	Gravity Survey, Geological and Geophysical studies
Year 2	28 th Jan 2006– 27 th Jan 2007	Gravity Survey, Geological and Geophysical studies
Year 3	28 th Jan 2007 – 27 th Jan 2008	30 km 2D Seismic, Data Review
Year 4	28 th Jan 2008 – 27 th Jan 2009	One Well
Year 5	28 th Jan 2009 – 27 th Jan 2010	One Well

Licence Year 3 concluded on 27th Jan 2008. 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	Gravity Survey, Geological and Geophysical studies	2006 Robe Gravity Survey
Year 2	Gravity Survey, Geological and Geophysical studies	Lake Hawdon Gravity Survey
Year 3	30 km 2D Seismic, Data Review	Seismic Survey was not recorded. Data base of geophysical and borehole data has been compiled.
Year 4	One Well	N/A
Year 5	One Well	N/A

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 drilling or related activities were conducted during the licence year.

Seismic Data Acquisition

No seismic or related activities were conducted during the licence year.

Seismic Data Processing and Reprocessing

No seismic data processing was conducted during the licence year.

Geochemical, Gravity, Magnetic and other surveys

No gravity or related activities were conducted during the licence year.

Production and Processing

No activities for the licence year

Pipeline Construction and Operation

No activities for the licence year

Preliminary Survey Activities

No activities for the licence year.

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.”

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

Licence Non-Compliance

Table 3 List of licence non-compliances for current reporting year

No.	Stated Commitment	Reason for Non-Compliance	Rectification of Non-Compliance
1	Commitment to record 30 km of 2D seismic data for licence year 3.	Neo has been unsuccessful in farming out the licence and hence satisfy the work commitment for Year 3.	Neo intends to seek approval to for a variation that will see the committed 30 kms of seismic shifted to year 4.
2.	Bond of \$50,000 was payable at either the commencement of year three on 28 January 2008, or the commencement of field activities.	No field activities were carried out	Bond monies will be paid before the start of the seismic field program.

Regulatory Non-Compliance

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

No.	Date	Activity	Details of Non-Compliance	Rectification of Non-Compliance
1.	5 July 2007	Submission of Annual Report	Annual Report for Year 2 was submitted 3 months after the due date.	In future reports will be submitted on time.
2.	16 May 2007	Submission of Data and Reports	Reports and data from Lake Hawdon Gravity Survey submitted 7 months past due date	In future PIRSA to be notified when report and data compilations will not be completed by the due date and an extension requested
3.	16 April 2007	Application for Survey approval	Neo commenced Lake Hawdon Gravity Survey before approval was granted by PIRSA.	In future will wait for PIRSA approval
4.	16 April 2007	Geophysical Progress reports	Neo failed to notify PIRSA of start and end dates for the Lake Hawdon Gravity Survey and supply progress reports during survey	In future will notify PIRSA of start and end dates.
5.	21 st May	Submission of	Annual report for Year 3 was	In future report will be submitted

	2008	Annual Report	submitted 2 months late	on time.
6		Submission of Environmental Audit of 2006 Robe gravity survey	Report detailing assessment against SEO objective criteria as indicated in survey application has not been submitted.	As the surveys very low impact compliance with objectives were considered to have been met.
7		Submission of Environmental Audit of 2006 Robe gravity survey	Report detailing assessment against SEO objective criteria as indicated in survey application has not been submitted. Report was due has not been submitted	As the surveys very low impact compliance with objectives were considered to have been met.

Compliance with Statement of Environmental Objectives

No ground based activities were recorded during the licence year so this section is not applicable for the current reporting period. Previous activities were assessed to be covered by the "Draft statement of environmental objectives for seismic operations in the Otway Basin, South Australia, Cockshell 2001.

As the 2 gravity surveys completed in 2006/07 were low impact surveys conducted along roads and in open paddocks not requiring any line clearing then compliance with the respective objectives were considered to have been met.

A new SEO has been prepared and gazetted by PIRSA, "SEO for ground based geophysical operations (non seismic) in South Australia, Aug 2007". Neo will base all future ground based operations (non seismic) on this SEO and acknowledges the objectives set out in the document.

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 management system audits were conducted.

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”.

Table 5 List of report and data submissions during current licence reporting year

Description of Report/Data	Date Due	Date Submitted	Compliant / Non-Compliant
Year 2 Annual Report	28 th March 2007	9 th July 2007	Non Compliant
Lake Hawdon Detailed Gravity reports and data	22 nd Jan 2008	6 th August 2008	Non compliant
Year 3 Annual Report	27 th March 2008	21 st May 2008	Non compliant

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 are known to have occurred during the licence year.

Table 6 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

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”.

No threats have been identified

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”.

During year 4 it is proposed to merge current gravity data with existing data and integrate with available seismic data. We will also be attempting to joint venture the lease with other oil explorers in order to carry out seismic work as specified in the work program.

A variation will be sought from PIRSA to transfer the year 3 commitment of 30 km of 2D data into a year 4.

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.

6 Additional Information for Production Licence Reports

Pursuant to Regulations 33(2) (i) and (j) under the Act, an annual report must contain:

“In the case of a production licence – an estimate of the volume likely to be produced, wasted, stored or sold under the licence during the ensuing year, or such longer period as the Minister may require”; and

“In the case of a production licence – an assessment of the development activities proposed to be undertaken under the licence, including the number of completions that are expected to occur, during the ensuing year, or such longer period as the Minister may require”.

Not Applicable

7 Additional Information for Pipeline Licence Reports

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

“In the case of a pipeline licence – the volume of any regulated substance transported during the relevant licence year”.

Not applicable

APPENDIX 1 Expenditure Statement

Commercial in Confidence

