



PRL 14

COOPER BASIN

SOUTH AUSTRALIA

ANNUAL REPORT

FIRST RENEWAL YEAR 2

14 May 2013 to 13 May 2014

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DRILLSEARCH ENERGY LIMITED

PRL 14 – FIRST RENEWAL YEAR 2

2014 ANNUAL REPORT

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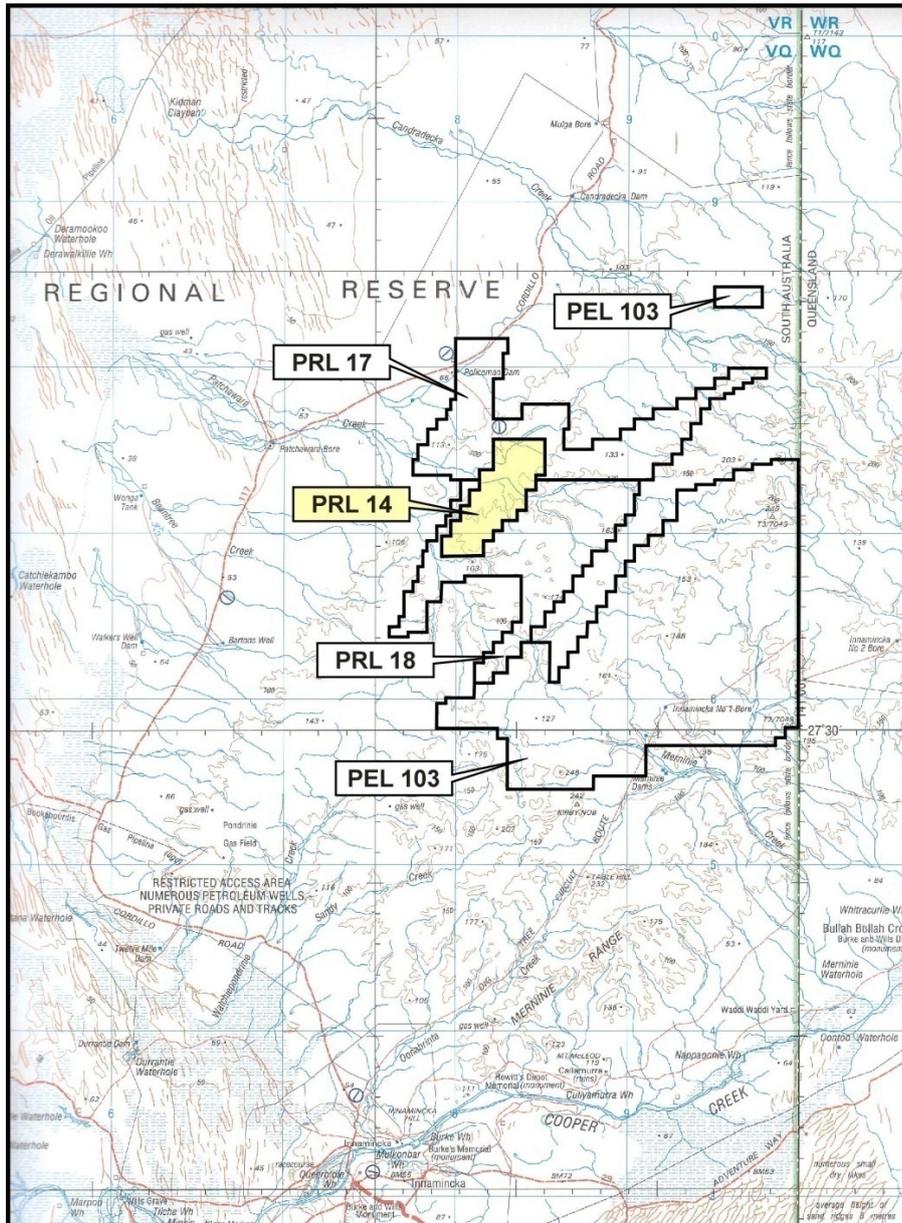
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1.0 INTRODUCTION

Petroleum Retention Licence (PRL) 14 was granted on 14 May 2007 having been excised from Petroleum Exploration Licence (PEL) 103 in order to determine the commercial feasibility of the Flax Field. The permit is situated in the central Cooper Basin, adjacent to the SA / Queensland border.

This report details the work performed during **First Renewal Year 2** of the licence, in accordance with the requirements of Section 33 of the *Petroleum and Geothermal Energy Regulations 2000*.



PRL 14 Permit Location

2.0 PERMIT SUMMARY

2.1 Background

For the purposes of evaluating commercial feasibility of the Flax Field discovery, a Petroleum Retention Licence covering an area of 29.1km² was applied for and granted as PRL14 on 14 May 2007 with the following work programme.

RETENTION LICENCE YEAR	INITIAL WORK PROGRAMME
1	<p style="text-align: center;"><u>Phase 1 – 1ST Production Pattern</u></p> Drill 2 Wells (Flax 3 & Flax 4). Fracture Stimulate successful Flax wells (eg. cased & suspended wells). Convert Flax 1 to gas injection well. Production test
2	
3	<p style="text-align: center;"><u>Phase 2</u></p> Based upon success of the 1 st production pattern and confirmation of field extent, install additional production patterns as required and prepare Production Licence Application.
4	
5	

This agreed work programme was expanded upon during the first permit renewal term and included the drilling of Flax, 4, 5, 6, 7st1 and Flax East-1. The additional producers (Flax 2-Flax 6) were fraced, completed and tied back to the central processing facility but showed poor recover per well. The low permeability reservoir has been unable to sustain production and wells are regularly shut-in to allow pressures around the well bore to re-charge.

The Flax field has produced 177,867 BBL's (30/06/2014) of API 54 crude from six wells in the Tirrawarra sandstone and Patchawarra formation – with over half of the production from the Flax 1 well. Development drilling has been largely unsuccessful and gas injection is not anticipated to be effective in the tight reservoir.

The first PRL period (11/05/07 – 12/05/12) was instrumental in providing insight into the behavior of the reservoir under various conditions, allowing technical assessment, forward modeling and studies targeted at optimising production through current or future wells.

Production technology reviews were undertaken to assess potential field developments that would move the Flax field towards a commercial development. A tight oil study by a US based tight reservoir expert was initiated during the first permit term and continued through 2012.

Acer Energy acquired a 141 km² of 3D seismic acquisition over PRL14, PRL17 & PRL18 in 2011. The survey was processed, a simultaneous inversion performed and interpreted throughout 2012. A number of potential appraisal drilling locations have been chosen on the Flax and Juniper fields as a result of the interpretation. The interpreted seismic survey was an integral part of the construction of a Petrel 3D geocellular model over the Flax area.

A detailed map of the Flax Area Petroleum Retention Licence (PRL 14) is presented in Appendix 1 and details the wells drilled to date within the permit.

PRL14 was granted renewal on 23 March 2012 with an expiry date of the 13 May 2017.

2.2 Permit Year

No exploration activities were undertaken during the First Renewal Year 2. The Flax Facility was shut-in whilst a Fitness for Purpose (FFP) assessment was conducted. Static gradient surveys were conducted on Flax 3, Flax 4, Flax 5, Flax 6, Flax East 1 ST 1, Yarrow 1 and facilities management and maintenance regime continued during the shut-in period.

2.3 Joint Venture

The joint venture for PRL 14 for First Renewal Year 2 was as follows:

Drillsearch Energy Limited - Operator		
Acer Energy Limited (subsidiary of Drillsearch)	-	100%

3.0 PERMIT ACTIVITY

The following section summarises the activities undertaken in the permit over the reporting period.

3.1 Drilling

There were no drilling activities conducted during the reporting period.

3.2 Seismic Data Acquisition / Processing

There were was no seismic acquisition during the reporting period.

3.3 Construction and Well Activities

3.3.1 Flax 1 Central Processing Facility

No activities were undertaken during the reporting period.

3.3.2 Well Interventions

A Static Gradient Survey program was undertaken for Flax 3, Flax 4, Flax 5, Flax 6, Flax East 1 ST1 and Yarrow 1 wells, utilizing SGS Oil and Gas slick line services. The program was to gather down hole pressure and temperature data in the current "field shutin" state.

Flax Field is located in the North East of South Australia. Flax is an operating production field and Flax 3, Flax 4, Flax 5, Flax 6, Flax East 1 ST1 & Yarrow 1 are completed oil and gas wells to the Patchawarra and Tirrawarra formations.

The wells were drilled with Ensign Rig #30 between 2003 -2008. Some of the Patchawarra and Tirrawarra formations were then fracture stimulated and all wells are completed with 2 7/8" tubing.

Flax 3, Flax 4, Flax 5 and Flax 6 are production wells on a rotation basis. Flax East 1 ST 1 and Yarrow 1 have not been tied into the production facility. All have been closed in since August 2012.

In July 2013 SGS carried out a site visit to confirm wellhead tree cap connections, site status and access to each location. The Static Gradient Survey program was completed in October 2013 and reports submitted to the Department of State Development.

3.3.3 Well Stimulations

No well stimulation activities were undertaken during the reporting period.

3.3.4 Field Production and Well Testing

Due to the Flax field being shut-in for the Fit for Purpose assessment, total field production from the Flax Field in First Renewal Permit Year 2 was 0 bbl oil, 0 mmscf of gas and 0 bbls of water. Nil production as follows:

Flax 1

Flax 1 produced 0 bbl oil, 0 mmscf of gas and 0 bbl of water during the reporting period.

Flax 2

Flax 2 produced 0 bbl oil, 0 mmscf of gas and 0 bbl of water during the reporting period.

Flax 3

Flax 3 produced 0 bbl oil, 0 mmscf of gas and 0 bbl of water during the reporting period.

Flax 4

Flax 4 produced 0 bbl oil, 0 mmscf of gas and 0 bbl of water during the reporting period.

Flax 5

Flax 5 produced 0 bbl oil, 0 mmscf of gas and 0 bbl of water during the reporting period.

Flax 6

Flax 6 produced 0 bbl oil, 0 mmscf of gas and 0 bbl of water during the reporting period.

4.0 COMPLIANCE ISSUES

4.1 License and Regulatory Compliance

As required, Drillsearch maintains a register of non-compliance issues and the following table summarises those matters of non-compliance for Permit Year 2.

License Non-Compliance			
No.	Stated Commitment	Reason for Non-Compliance	Rectification of Non-Compliance
1	▪	▪ Nil non-compliance issues to report.	▪
Regulatory Non-Compliance (& Formal Warnings): <ul style="list-style-type: none"> • 2000 Petroleum and Geothermal Energy Regulations/Act • Approved SEOs under the Act/Regulations • Approved activity EIRs/EARs 			

No.	Date	Activity	Non-Compliance Description	Rectification of Non-Compliance
1	08/12/13	Administrative Reporting	Late submission of Static Gradient Survey Report, past due date of 08/12/13,	Drillsearch is in the process of implementing a new compliance management software system which will

			submitted 09/07/14.	capture reporting timeframes.
2	31/12/13	Administrative Reporting	Late submission of Emergency Response Exercise Report, past due date of 31/12/13, submitted 09/01/14.	Drillsearch is in the process of implementing a new compliance management software system which will capture reporting timeframes.
3	31/05/14	Administrative Reporting	Late submission of Quarterly Cased Hole Activity Report, past due date of 31/05/14, submitted 10/07/14.	Drillsearch is in the process of implementing a new compliance management software system which will capture reporting timeframes.
4	09/06/14	Environmental	Avoid storage and loading facility spills.	Diesel spill during diesel generator fuel tank fuel-loading operations. Failure of bowser nozzle to trip and cease flow to tank on reaching capacity. Creation of SOP (058). 'Camp genset tank refuelling' which will incorporate, not relying on auto shut off of fuel hose nozzle, maintaining visual observations during refuelling operations and recommend storage.

4.2 Management Systems Audits

4.2.1 Drilling Activities

As part of the Drillsearch Energy Limited takeover, Flax field was shut in to conduct an audit which was carried out during December 2012. Flax field has been shut in until System components (e.g. checklists, guides etc.) are amended for the reactivation of the Flax Field, which is a part of the overall Management System Process.

The status of wellsites in PRL14 are as follows:

SEQ. NO.	WELL NAME	REHABILITATION COMPLETED (yes/no)	Well Status	STATUS (e.g Environmental Audit completed)
1	Flax 1	No	C & C	Used as Flax field production site for extended well test – OK.
2	Flax 2	No	C & C	Initial lease clean-up completed, and the site rehabilitated for production activities.
3	Flax 3	No	C & C	Initial lease clean-up completed, and the site rehabilitated for production activities.
4	Flax 4	No	C & C	Initial lease clean-up completed, and the site rehabilitated for production activities.
5	Flax East 1 ST 1	No	C & C	Initial lease clean-up completed, and the site rehabilitated for production activities.
6	Flax 5	No	C & C	Initial lease clean-up completed, and the site rehabilitated for production activities.
7	Flax 6	No	C & C	Initial lease clean-up completed, and the site rehabilitated for production activities.
8	Flax 7 ST 1	No	C & S	Initial lease clean-up completed, and the site rehabilitated for production activities.

Upon completion of site restoration, review of compliance with EIR/SEO (GAS Scaling) will be undertaken.

4.2.2 Seismic Activities

No seismic activity management system audits were undertaken.

4.2.3 Production and Engineering Activities

A Fit for Purpose assessment was conducted during the period. A full report will be submitted upon completion of the assessment.

4.3 Data Submissions

The following data was submitted during the permit year:

No.	Document / Report Description	Date Due	Date Submitted	Compliant (Yes/No)
Well Proposal Documents:				
	N/A			
Drilling Reports:				
	N/A			
Open-Hole Wireline Logs:				
	N/A			
Cased-Hole Wireline Logs:				
	N/A			
Well Completion Reports:				
	N/A			
Quarterly Cased Hole Reports:				
1	Quarterly Cased Hole Report 2Q 2013	31/07/13	29/07/13	Yes
2	Quarterly Cased Hole Report 3Q 2013	31/10/13	24/10/13	Yes
3	Quarterly Cased Hole Report 4Q 2013	31/01/14	31/01/14	Yes
4	Quarterly Cased Hole Report 1Q 2014	30/04/14	10/07/14	No
Well Down-hole Diagrams:				
	N/A			
Production Data Reports:				
1	May 2013	30/06/13	24/06/13	Yes
2	June 2013	31/07/13	23/07/13	Yes
3	July 2013	31/08/13	27/08/13	Yes
4	August 2013	30/09/13	27/09/13	Yes
5	September 2013	31/10/13	30/10/13	Yes
6	October 2013	30/11/13	21/11/13	Yes
7	November 2013	31/12/13	09/12/13	Yes
8	December 2013	31/01/14	04/02/14	No
9	January 2014	28/02/14	04/02/14	Yes
10	February 2014	31/03/14	27/03/14	Yes
11	March 2014	30/04/14	24/04/14	Yes
12	April 2014	31/05/14	27/05/14	Yes
Other Engineering Reports:				
1	Static Gradient Survey Reports and raw data	08/12/13	09/07/14	No

Seismic Reports:				
	N/A			
Other Reports/Documents:				
1	PRL 14 Annual Report (First Renewal Year 1)	13/07/13	12/07/13	Yes
2	2014 Notice of Intended Entry, (All 2014/2015 Activities).	NA	27/03/14	Yes
3	Operations Quarterly Compliance Report 2Q 2013	31/07/13	29/07/13	Yes
4	Operations Quarterly Compliance Report 3Q 2013	31/10/13	25/10/13	Yes
5	Operations Quarterly Compliance Report 4Q 2013	31/01/14	31/01/14	Yes
6	Operations Quarterly Compliance Report 1Q 2014	30/04/14	24/04/14	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/Workover Operations	Nil	
2	09/06/14	Environmental	Avoid storage and loading facility spills.	Diesel spill during diesel generator fuel tank fuel-loading operations. Failure of bowser nozzle to trip and cease flow to tank on reaching capacity. Creation of SOP (058). 'Camp genset tank refuelling' which will incorporate, not relying on auto shut off of fuel hose nozzle, maintaining visual observations during refuelling operations and recommend storage.
3		Engineering	Nil	

4.5 Threat Prevention

No threats were identified or reported during the year.

4.6 Future Work Program

Proposed future activities for PRL 14 include:

- Flax 1 Workover and Completion.
- Finalisation of the Fit for Purpose Assessment.
- Installation of artificial lift Flax 5.
- Bring Flax Field back on production.
- Continue working on field development plan.
- Progress technical and feasibility study with the view to drill a horizontal well in Flax field.

5.0 SUMMARY EXPENDITURE REPORT

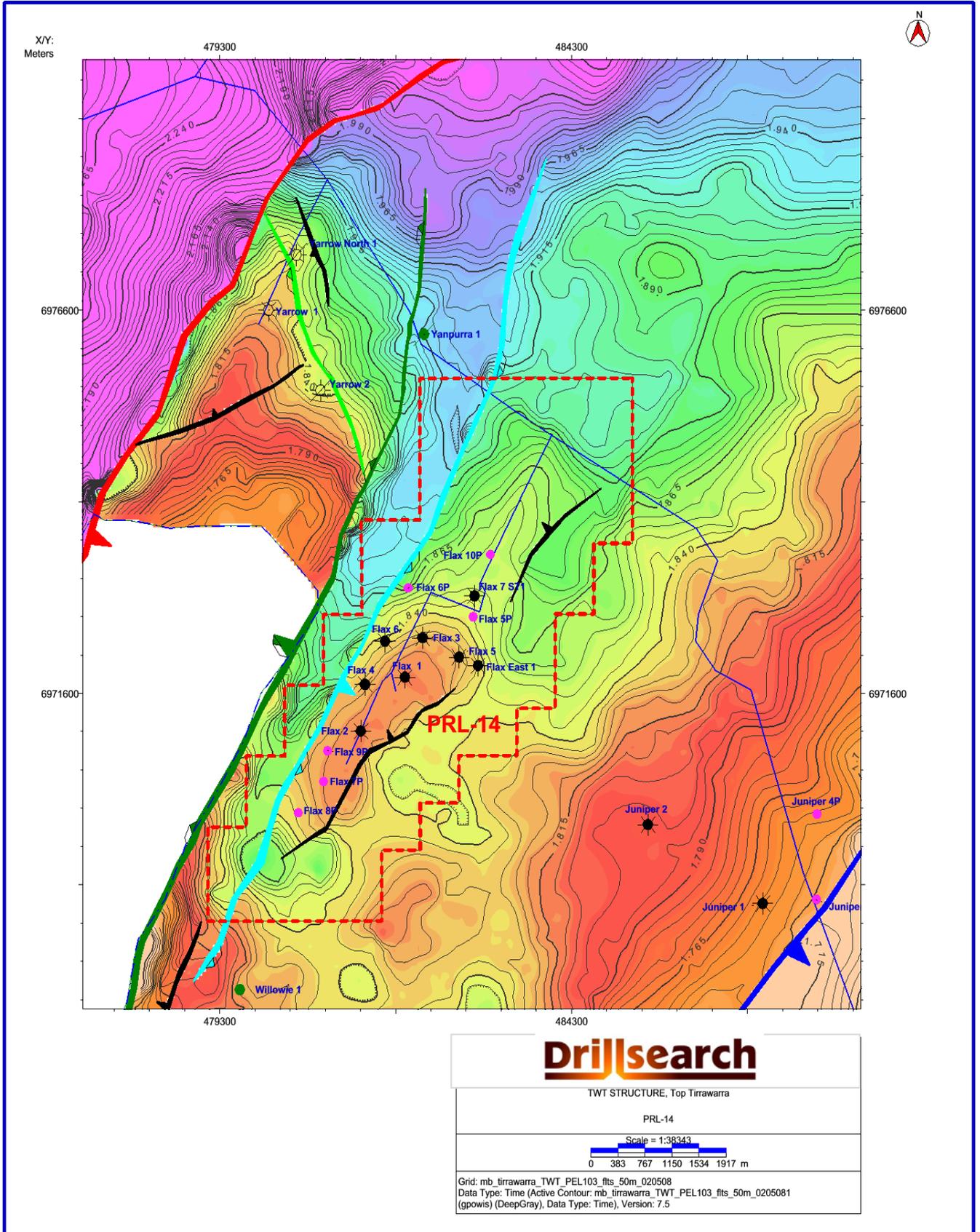
A Summary of Expenditure to 14 May 2014 has been included in Appendix 3. This financial statement is "Commercial in Confidence" and is to be removed from the website copy of this report.

APPENDIX 1

FLAX RETENTION LICENCE (PRL – 14) MAP AND COORDINATES

FLAX AREA RETENTION LICENCE – PRL 14

WELL LOCATIONS – TIRRAWARRA TWT STRUCTURE MAP



APPENDIX 2

COMPLIANCE RECORD WITH ACTIVITY SEO(s)

For

FIRST RENEWAL YEAR 2

Note: Activities carried out in PRL 14 during the permit term were undertaken under two different SEO(s) as follows. A statement covering performance with each of the SEO objectives is given in the attached tables (Table 1 & Table 2):

Table No.	Activity	SEO Name
Table 1	Cased & Suspended Wells	South Australia Cooper Basin Operators Statement of Environmental Objectives: Drilling and Well Operations (2009).

APPENDIX 2 – TABLE 1
DLS COMPLIANCE (SEO) OBJECTIVES
DRILLING AND WELL OPERATIONS

TABLE 1: DLS COMPLIANCE SEO OBJECTIVES

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

Environmental objectives	Assessment Criteria	Guide to How Objective Can Be Achieved	Comments
<p>1. Minimise risks to the safety of the public and other third parties</p>	<ul style="list-style-type: none"> ▪ Reasonable measures implemented to ensure no injuries or health risks to the public or third parties. 	<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. ▪ Necessary measures (e.g. signage/fencing) taken to prevent the public accessing the wellhead equipment or waste relating to a given well. ▪ Demobilisation inspections undertaken at random to ensure that backfilling and waste removal requirements are met. ▪ 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. 	<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 must 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 presents a risk to the safety of employees, contractors and third parties (i.e. tourists).</p>

TABLE 1: DLS COMPLIANCE SEO OBJECTIVES

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

Environmental objectives	Assessment Criteria	Guide to How Objective Can Be Achieved	Comments
		<ul style="list-style-type: none"> ▪ 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. ▪ Compliance with relevant speed restrictions on access roads and tracks. ▪ Reporting systems for recording injuries and accidents in place, and annual (at minimum) review of records to determine injury trends. ▪ Implementation of appropriate corrective actions. ▪ Ensuring safety management plans are updated and reviewed. ▪ Wastewater disposal in accordance with Objective 11. 	<p>Compliance Statement: <i>DLS, 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>
<p>2. Minimise disturbance and avoid contamination to soil.</p>	<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 impacts on soil” objective as listed in Appendix 1 Table A1 and “To minimise the visual impact” as listed in Appendix 1 Table A2. ▪ No unauthorised off-road driving or creation of shortcuts. ▪ No construction activities are carried out on salt lakes or steep tableland slopes (as defined in EIR). 	<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. ▪ Use existing routes / disturbed ground where practicable. ▪ Gibber mantle on access tracks and well sites (excluding sumps) is not removed where possible, only rolled, in gibber and tableland land systems. Gibber mantle reinstated where appropriate during restoration. ▪ Topsoil stockpiled (including gibber mantle) from sump construction and respread (and gibber recompacted) on abandonment. ▪ The need to traverse sensitive land systems and the methods of managing the impacts must be justified in accordance with company procedures, recorded and available for auditing. 	<p>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 borrow pits, restoration activity, vehicle movement in off-road locations and sub-surface excavations (e.g. sumps, flare pits and turkey’s nests).</p>

TABLE 1: DLS COMPLIANCE SEO OBJECTIVES

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

Environmental objectives	Assessment Criteria	Guide to How Objective Can Be Achieved	Comments
	<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’, and “Minimise impact on soil” objectives as listed in Appendix 1 Table A3. <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. ▪ Also refer to Objective 12. 	<p><u>Borrow pit construction and restoration</u></p> <ul style="list-style-type: none"> ▪ Existing borrow pits to be re-used where practicable. ▪ Siting of new borrow pits to avoid sloped areas and gibber as far as practicable. ▪ Topsoil stockpiled (including gibber mantle) and respread on abandonment (gibber to be recompacted). <p><u>Production Testing / Well Blowdowns</u></p> <ul style="list-style-type: none"> ▪ If appropriate use: <ul style="list-style-type: none"> - impermeable or clay lined flare pit to flare / contain hydrocarbons. - 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 and guidelines e.g. EPA guideline <i>080/07 Bunding and Spill Management</i>. ▪ 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. 	

TABLE 1: DLS COMPLIANCE SEO OBJECTIVES

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

Environmental objectives	Assessment Criteria	Guide to How Objective Can Be Achieved	Comments
	<p><u>Waste Disposal (domestic, sewage and sludges)</u></p> <ul style="list-style-type: none"> ▪ All domestic wastes are disposed of in accordance with EPA licensing requirements. ▪ 0, +1 or +2 GAS criteria are attained for “Site to be left in a clean and tidy condition” objective listed in Appendix 1 Table A2. ▪ No spills or leaks from sewage treatment processing. ▪ Refer to Assessment Criteria for Objective 11. 	<p><u>Spill Response / Contingency Planning</u></p> <ul style="list-style-type: none"> ▪ Results of emergency response procedures carried out in accordance with Regulation 31 show that an oil spill contingency plan in place in the event of a spill is adequate and 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 / rehearsal is undertaken. ▪ Spills or leaks are immediately reports and cleanup actions initiated. <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. ▪ Approved transportable Aerated Wastewater Treatment Plants (AWTPs) used for rigs/camps (once approved AWTPs are available from a supplier suitable to Santos¹). Interim controls for management of sewage effluent (developed in consultation with the Department of Health) implemented¹. ▪ Use of permanent septic systems with camps where possible. ▪ Refer to Objective 11. 	<p><u>Compliance Statement:</u> DLS, 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.</p>

TABLE 1: DLS COMPLIANCE SEO OBJECTIVES

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

Environmental objectives	Assessment Criteria	Guide to How Objective Can Be Achieved	Comments
<p>3. Avoid the introduction or spread of pest plants and animals and implement control measures as necessary.</p>	<ul style="list-style-type: none"> ▪ No weeds or feral animals are introduced to, or spread in, operational areas as a consequence of activities. 	<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. 	<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 on a risk-based approach.</p> <p><i>Compliance Statement: DLS, 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>
<p>4. Minimise disturbance to drainage patterns and avoid contamination of surface waters and shallow ground water resources.</p>	<p><u>Well Lease and Access Track Construction</u></p> <ul style="list-style-type: none"> ▪ Well sites 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><u>Drilling Mud Sumps and Flare Pits</u></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><u>Well Heads (Oil and Gas Systems)</u></p> <ul style="list-style-type: none"> ▪ No leaks/spills outside of areas designed to contain them. 	<p><u>Well Lease and Access Track Construction</u></p> <ul style="list-style-type: none"> ▪ Sensitive land systems (e.g. wet lands) avoided wherever possible. Where activities are undertaken in or near these areas, appropriate review, assessment and mitigation measures are in place to ensure that surface water flows are maintained and contamination of surface water and groundwater is avoided. <p><u>Drilling Mud Sumps and Flare Pits</u></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><u>Well Heads (Oil and Gas Systems)</u></p> <ul style="list-style-type: none"> ▪ Where appropriate, imperviously lined well cellars are installed on oil wells. 	<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>

TABLE 1: DLS COMPLIANCE SEO OBJECTIVES

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

Environmental objectives	Assessment Criteria	Guide to How Objective Can Be Achieved	Comments
	<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 water (surface or groundwater) contamination as a result of fuel or chemical storage and handling. 	<ul style="list-style-type: none"> ▪ Bunds / containment devices are installed on gas well skids. ▪ 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 / clay lined 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 (e.g. AS 1940 and EPA guideline <i>080/07 Bunding and Spill Management</i>). ▪ 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>There is potential for the contamination of chemical and fuel storage areas, from oil and gas systems at well heads, during transportation of fuel and chemicals and during transportation of wastes. Localised contamination may result from spills or leaks of well operations chemicals (e.g. corrosion inhibitors) during storage and handling.</p> <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>

TABLE 1: DLS COMPLIANCE SEO OBJECTIVES

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Environmental objectives	Assessment Criteria	Guide to How Objective Can Be Achieved	Comments
	<p><u>Waste Management</u></p> <ul style="list-style-type: none"> ▪ Refer to Assessment Criteria for Objective 11. 	<p><u>Waste Management</u></p> <ul style="list-style-type: none"> ▪ Refer to Objective 11. <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 / rehearsal exercise is undertaken. 	<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> <hr/> <p><u>Compliance Statement:</u> <i>DLS, 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>
<p>5. Avoid disturbance to sites of cultural and heritage significance.</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 	<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 Aboriginal Heritage Branch, Aboriginal Affairs and Reconciliation Division (AARD). ▪ 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. ▪ A procedure is in place for the appropriate response to any sites discovered during drilling activities. <p><u>Note:</u> 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>	<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> <hr/> <p><u>Compliance Statement:</u> <i>DLS, 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>

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<p>6. Minimise loss of aquifer pressures and avoid aquifer contamination.</p> <p><i>Note: This objective is subject to an ongoing review and is currently unchanged from the 2003 SEO. Refer to the addendum to the EIR (Santos 2009a) for details.</i></p>	<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> <p>No cross-flow behind casing between aquifers, and between aquifers and hydrocarbon reservoirs unless approved by DWLBC.</p>	<p><u>Drilling & Completion Activities</u></p> <ul style="list-style-type: none"> ▪ A competent cement bond between aquifer and hydrocarbon reservoirs is demonstrated. <p>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 & SAALNRM Board to determine if lack of cement or poor bond will cause or has caused damaging crossflow which needs to be remediated.</p> <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 & SAALNRM Board 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. ▪ The placement of isolation barriers will in general be to isolate the groups of formations as listed under comments. 	<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 formations, Walkandi and Peera Peera formations ▪ Toolachee; Daralingie; ▪ Epsilon, Patchawarra or Mt Toodna or Purni;

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		<p>The number and placement of barriers may be varied from this standard approach on a case-by case basis by Santos personnel using relevant available data and the SA Cooper Basin Water Pressure and Salinity Module Report (2002), and in consultation with DWLBC.</p>	<ul style="list-style-type: none"> ▪ 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> <p>Compliance Statement: <i>DLS, 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>7. Minimise disturbance to native vegetation and native fauna.</p>	<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 1 Table A1 and “The revegetation of indigenous species” objective as listed in Appendix 1 Table A2, during well lease and access track site selection and construction and restoration. <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” objectives as listed in Appendix 1 Table A3 during borrow pit site selection, construction, and restoration. 	<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. ▪ Sensitive land systems (e.g. wetlands) avoided wherever possible. Where activities are undertaken in these areas (i.e. no practicable alternative), appropriate review, assessment and mitigation measures are in place. ▪ 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>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>

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SEO: South Australian Cooper Basin Operators Statement of Environmental Objectives: Drilling and Well Operations			
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	<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>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. Refer to Objective 11. <p><u>Fuel and Chemical Storage and Handling</u></p> <ul style="list-style-type: none"> Refer to Objectives 2 & 4. <p><u>Fauna Management</u></p> <ul style="list-style-type: none"> No domestic pets allowed at camps or worksites. Feeding of wildlife (e.g. dingoes) is not permitted. 	<p><i>Compliance Statement: DLS, 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>8. Minimise air pollution and greenhouse gas emissions.</p>	<ul style="list-style-type: none"> Compliance with EPA requirements. 	<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. 	<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><i>Compliance Statement: DLS, 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>9. Maintain and enhance partnerships with the Cooper Basin community.</p>	<ul style="list-style-type: none"> No unresolved reasonable complaints from the community. 	<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. 	<p>The importance of liaison with and contribution to the local community is recognised by the SACB parties. 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>

TABLE 1: DLS COMPLIANCE SEO OBJECTIVES

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

Environmental objectives	Assessment Criteria	Guide to How Objective Can Be Achieved	Comments
			<p>Compliance Statement: <i>DLS, 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 DLS</i></p>
<p>10. Avoid or minimise disturbance to stakeholders and/or associated infrastructure</p>	<ul style="list-style-type: none"> ▪ No reasonable stakeholder complaints left unresolved. 	<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 and Geothermal Energy Regulations 2000). 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. ▪ Excavations are located and managed so as not to pose an unacceptable hazard to stock or wildlife. ▪ 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 (e.g. DEH). 	<p>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.</p> <p>Compliance Statement: <i>DLS, to its knowledge, has complied with all obligations required under this SEO objective. DLS 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>

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<p>11. Optimise (in order of most to least preferable) waste avoidance, reduction, reuse, recycling, treatment and disposal.</p>	<ul style="list-style-type: none"> ▪ All wastes to be disposed of at an EPA licensed facility in accordance with EPA Licence conditions, with the exception of drilling fluids, drill cuttings, other fluids disposed during well clean-up and wastewater (see below). ▪ Wastewater (sewage and grey water) disposed of in accordance with the <i>Public and Environmental Health (Waste Control) Regulations 1995</i> or to the Department of Health's satisfaction. ▪ Attainment of GAS criteria for "Site to be left in clean, tidy and safe condition" objective during wellsite restoration (refer Appendix 1 Table A2). ▪ Attainment of GAS criteria for "Site to be left in clean and tidy condition" objective during borrow pit restoration (refer Appendix 1 Table A3). 	<ul style="list-style-type: none"> ▪ Chemicals and oil are purchased in bulk. "Bulki bins" or other storage tanks are in place for large volume items. ▪ Covered bins are provided for the collection and storage of putrescible wastes. All loads of rubbish are covered during transport to a licensed waste facility. ▪ Waste streams are segregated on site to maximise opportunities for waste recovery, reuse and recycling. ▪ Coordinate covered waste transportation on backload. ▪ Production of waste is minimised by purchasing specifying reusable, biodegradable or recyclable materials in procurement, where practical. ▪ Drilling fluids, drill cuttings and other fluids are disposed of to sump on the Act licence area. ▪ Waste water (sewage) disposal is where possible in accordance with the <i>Public and Environmental Health (Waste Control) Regulations 1995</i> (which require that the waste water disposal system must either comply with the <i>Standard for the Construction, Installation and Operation of Septic Tank Systems in SA</i> or be operated to the satisfaction of the Department of Health) and the <i>Environmental Protection (Water Quality) Policy 2003</i>. ▪ Grey water is disposed of to the sewage treatment system. ▪ Secondary treated sewage wastewater is disposed of onto land well away from any place from which it is reasonably likely to enter any waters, and to minimise spray drift and ponding, in accordance with clause 11 of the <i>Environment Protection (Water Quality) Policy 2003</i>. 	<p>Waste reduction requires continual improvements in purchasing, efficiency of use and reuse. The geographical isolation reduces the available opportunities to recycle. However, continual review of recycling options is required and conducted to ensure that emerging opportunities are utilised.</p> <p>Bins are covered to prevent access by fauna and the spread of rubbish by wind.</p> <p>Responsible handling and disposal of waste will reduce both short-term and long-term impacts of waste on the environment.</p> <p>Refer to Objective 2 for comment on approval of transportable wastewater treatment plants and interim measures for wastewater disposal.</p> <p>Compliance Statement: <i>DLS, 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>	<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 to 	<ul style="list-style-type: none"> ▪ Rehabilitation / abandonment plans for surface activities will be developed in consultation with relevant stakeholders 	

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	<p>a level as determined by the approved SHI process.</p> <ul style="list-style-type: none"> ▪ Prior to the finalisation and approval of the SHI process, 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 the objectives (refer Appendix 1 Table A2): <ul style="list-style-type: none"> - "To minimise the visual impact" - "The revegetation of indigenous species" <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 1 Table A3): <ul style="list-style-type: none"> - "Revegetation of indigenous species." - "Minimise impact on soil" - "Minimise visual impacts" - "Site to be left in a clean and tidy condition" <p><u>Note:</u> Well abandonment issues are addressed under Objective 6.</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. 	<p><u>Compliance Statement:</u> DLS, to its knowledge, and through implementing the EIR requirements, believes that it has complied with all obligations required under this SEO objective.</p>

APPENDIX 3

Expenditure Report to 13 May 2014

SUMMARY EXPENDITURE REPORT
Report Date to 13 May 2014

(Note: This represents the costs paid during the period 14 May 2013 to 13 May 2014)

COMMERCIAL IN CONFIDENCE

The Expense Statement has been removed from the report and is provided as a separate document