

Introduction:

This report is issued in accordance with the requirements of the South Australian, Pipeline Regulations 2000, regulation 33 and concerns the regulated activities conducted under Petroleum Production Licence 21 (PPL21) at the 'Caroline 1' Well. The report covers the period 1 January 2006 to 31 Dec 2006.

Reg 33 (2) a - Summary of Regulated Activities:

Activities conducted under the licence within the report period included;

- Processing and distribution of Carbon Dioxide, approx. 12,250t
- Routine maintenance and minor plant improvements. The minor improvements included upgrade to instrument air equipment, improved water treatment safety related items and minor process equipment upgrades.

Reg 33 (2) b - Compliance with the Petroleum Act and Regulations 2000, the licence and statement of environmental objectives;

Operations at the Caroline 1 Well and associated processing plant have been conducted generally in accordance with the requirements of the Petroleum Act & Regulations 2000.

With regard to the environmental objectives the following table details progress towards those objectives and their assessment criteria. Refer also to the Air Liquide, Statement of Environmental Objectives, issued June 2001.

Environmental Objective	Comments
Avoid groundwater and soil contamination - General	
Chemicals, fuels and oils stored in a contained area on a flat, impermeable surface.	All items stored correctly
Sulphuric acid stored in a contained area.	Portable bund in situ. Volumes of acid stored are being reduced. <i>Volumes of sulphuric acid reduced with use of new water softener.</i>
Spill response station maintained.	In compliance

Environmental Objective	Comments
<p>Environmental incident reporting integrated into existing incident reporting systems.</p> <p>Appropriate training in spill response and reporting for employees and contractors undertaken.</p>	<p>No incidents reported.</p> <p>Site personnel are trained in spill containment.</p>
<p>Material Safety Data Sheets and spill response procedures posted in appropriate work areas.</p> <p>In the event of a spill, appropriate spill response procedures to be followed and the incident reported to the Plant Manager (as per Safety Training Manual).</p> <p>Waste volumes recorded and continually reviewed to ensure that waste generation (as a percentage of CO₂ production) is not increasing.</p> <p>Waste generation reviewed and opportunities for reduction identified and documented (by March 2001).</p> <p>Use of silica gel phased out and waste generation below 800 kg/year for moisture removal stage of CO₂ purification (by March 2001). New product, KC Trockenperlen, has double life of old silica gel.</p> <p>Strategy developed for continued waste reduction</p>	<p>All MSDS' are current.</p> <p>No spills to report.</p> <p>Losses are recorded daily. A loss reduction program is ongoing:</p> <p><i>Reduced regeneration of carbon towers,</i></p> <p><i>Replaced drying media in dryer vessels downstream of catox purification.</i></p> <p><i>Installed instrument air compressor (to reduce CO₂ use as instrument gas)</i></p> <p>Replacement of Silica Gel with KC Trockenperlen complete.</p> <p>Refer above 'Waste volumes ...' which provides details of loss reduction strategy. In addition reduced plant</p>

Environmental Objective	Comments
	throughput has reduced solid waste production proportionally.
Contracts with licensed waste disposal contractors maintained (i.e. spent KC Trockenperlen, activated carbon, Puraspec, sewage, hydrocarbon, and general rubbish).	Contract in place with Cleanaway.
Monitor wellhead pressure and diesel system. Assess casing integrity every two years.	Daily monitoring of pressure in outer casing confirms the integrity of the casing.
Conduct soil analysis in the vicinity of the disused waste pits by March 2001.	Samples and analysis were performed in March 2001 and the results indicated no contamination.
Minimise air emissions	Maintenance program has been implemented and records are kept.
Reduce CO2 losses by 5% by December 2001	Average losses for 2006 were 20.1%. Previous averages were: 2005 – 16.8%, 2004 - 16.5%, 2003 -26.5%, 2002 - 21.6%, 2001 - 27.6%
Freon gas (R12) phased out by June 2002.	Complete.
Provide a safe working environment for employees, contractors and third parties.	Based on the results of; monitoring of well head by expert consultant, monitoring of wellhead pressure, monitoring of diesel system, safe operation has been

Environmental Objective	Comments
	achieved. Air Liquide is committed to a zero accidents policy.
Avoid groundwater and soil contamination - Hydrocarbon Waste	
Hydrocarbon waste is stored in bunded tank. Sludge removed annually.	Contract with Cleanaway in place.
Hydrocarbon tank and bunded area inspected for spills and leaks	Daily checks have been conducted and maintenance works performed confirm the integrity of the tank and bunded area
Procedure for hydrocarbon tank and bund maintenance and inspection to be documented.	Confirmed and recorded in daily logs
Hydrocarbon storage tanks and bund to be maintained in a structurally sound condition.	Based on inspections and maintenance conducted the integrity of the storage tanks and bunds is confirmed.
Avoid groundwater and soil contamination - Produced Formation Water	
Sprinkler system is relocated periodically to avoid creation of soakages and areas of die-off.	Daily check.
A checklist for inspection of grassed areas, "effluent" tanks, hydrocarbon storage tank and bunds developed and implemented.	Daily check.
Liquid waste sampled and analysed for hydrocarbon content, salinity and pH levels every six months.	Tests have been conducted to schedule and all results are within ANZECC guidelines. Additional testing and analysis has been performed at the request of the EPA – further tests may

Environmental Objective	Comments
	be conducted after requirements of EPA are clarified.
Water quality monitoring data (hydrocarbon content, salinity and pH) and inspections of discharge (irrigation) water (i.e. signs of "die-off" or surface hydrocarbons on grassed areas) recorded.	Continuous, no indications of die-off or surface hydrocarbons.
Water quality data to be assessed as per ANZECC guidelines for agriculture.	Routine testing system in place.

Reg 33 (2) c – Actions to rectify non-compliance with the Act

Air Liquide are currently working with the EPA and PIRSA regarding the control measures and the potential for ground water contamination due to formation water disposal. Based on available water salinity data, history of water disposal practices and site observations Air Liquide believes that there is no threat of non-compliance with the Petroleum Act or the Environment Protection Act as a result of current practices and as such no specific compliance actions are in proposed.

Reg 33 (2) d – Summary of management system audits

The following management system audits were conducted:

- SAI Global ISO 9000 audit conducted in December 2006.

Reg 33 (2) e – List of Reports and Data generated

The following table identifies the reports and data relevant to the Petroleum Act 2000 generated during the reporting period;

Report	Status
Production Reports (reg 45 (1)).	Submitted with Royalty return.
Royalty returns.	Submitted each month.

Reg 33 (2) f – Incidents reported to the Minister

There have been no incidents reported to the minister during the reporting period.

Reg 33 (2) g – Foreseeable Threats

There are no reasonably foreseeable threats to the facilities that require reporting.

Reg 33 (2) h – Operations planned for next year

The proposed operations for the year 1 January 2007 to 31 December 2007 involve continued safe and efficient production of carbon dioxide. It is expected that production volumes will be lower than the previous year by at least 5%. This is due to depletion of the resource. No down-hole works are planned.

Reg 33 (2) i – Estimated production volume

The estimated production volume for the period 1 Jan to 31 Dec 2007 is 11,680t.

Reg 33 (2) j – Development Activities

No development activities are planned for the period 1 January 2007 to 31 December 2007.

Reg 33 (3) – Statement of Expenditure

A statement of expenditure on regulated activities conducted under the licence for the reporting period is attached to this report.



Mark Bennett, Air Liquide Australia Limited



AIR LIQUIDETM

STATEMENT OF EXPENDITURE, Period 1 January 2006 to 31 December 2006

The following statement of expenditure relates to regulated activities conducted under the Licence for the period stated above. This statement is prepared and issued as an attachment to the Petroleum Licence annual report as required under item 33 (3). Note that the basis of calculation may not be the same for other reported financial costs. In particular the depreciation reported is based on Air Liquide accounting methods, which are different to the methods required for the royalty calculation. Please refer to Air Liquide for clarification of calculation method if required.

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