



Adelaide Energy Limited

Annual Report

Petroleum Retention Licence No 1 (Wynn Area)

10 January 2009 – 9 January 2010

Onshore Otway Basin

South Australia

This report has been prepared in accordance with the requirements of the *Petroleum and Geothermal Energy Act 2000* and the *Petroleum and Geothermal Energy Regulations 2000* and covers all of the operations conducted under PRL 1 by Adelaide Energy Limited during the period 10 January 2009 and 9 January 2009.

This report was provided to PIRSA February 2010 and re-submitted August 2010.

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1 Introduction

Petroleum Retention Licence No. 1 ("PRL 1") is located around the Wynn Field in the onshore portion of the Otway Basin, South Australia. In 2004, Origin Energy Resources Limited ("Origin") applied for the PRL, which was granted for a five-year period until 9 January 2010.

This report covers the work performed by Adelaide Energy Ltd as Operator of PRL 1 in accordance with requirements of *Section 33* of the *Petroleum and Geothermal Energy Regulations 2000*. The reporting period is 10 January 2009 to 09 January 2010.

2 Administration

Origin completed a transaction transferring the rights to PRL 1 to Adelaide Energy in late 2008 subject to Ministerial approval, which was granted in June 2009. Adelaide Energy applied for extension of PRL 1 to 9 January 2015, which was granted by PIRSA in November 2009.

Adelaide Energy took over operations in December 2008, and so was effectively the Operator throughout the reporting period.

3 Regulated Activities

Petroleum and Geothermal Regulations, Section 33 (2) (a) requires

"a summary of the regulated activities conducted under the licence during the year".

3.1 Drilling / Testing / Workover

During August 2009 cased hole logging was performed in the Wynn 2 well. No workover rig operations were performed on the site during the reporting period. This was due to limited rig availability in the area.

3.2 Seismic Data Acquisition

No new seismic data was recorded during the reporting period.

3.3 Seismic Data Processing/Reprocessing

No seismic data processing/reprocessing was conducted during the reporting period.

3.4 Geological and Geophysical and Reservoir Engineering Studies

Adelaide Energy conducted these studies during 2009 to evaluate, justify and plan the Wynn 2 completion and connection work to be performed in 2010.

3.5 Pipeline from Wynn 2 to Haselgrove South

To be completed in about March 2010. Engineering, planning and procurement mainly occurred in the reporting year ending 9 January 2010.

4 Compliance Issues

4.1 Regulatory Compliance

Petroleum and Geothermal Regulations, Section 33 (2) (b) and (c) requires:

"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 minimize the likelihood of the recurrence of any such non-compliance".

Adelaide Energy, as Operator for PRL 1, generally complied with relevant conditions under the *Petroleum and Geothermal Energy Act 2000* and the *Petroleum and Geothermal Energy Regulations 2000*. There was one item provided to PIRSA later than required by the Act and Regulations

4.1.1 Licence Non-Compliance

List of Licence Non-Compliances for Current Reporting Year			
No.	Stated Commitment	Reason for Non-Compliance	Rectification of Non-compliance
		No Licence non-compliances occurred	

4.1.2 Regulatory Non-Compliance

List of Regulatory Non-Compliances for Current Reporting Year				
No.	Date	Activity	Details of Non-Compliance	Rectification of Non-compliance
1	19/10/09	Gamma Ray and Cement Bond Log of the Wynn 2 well	<p>Adelaide Energy sent a report to PIRSA of the work on 28 September 2009. However, this report did not include the full digital log data, which had not been received from the contractor at that time.</p> <p>The full digital log data was received by Adelaide Energy on 14 December 2009, sent to PIRSA on that same date.</p> <p>At the end of the licence year the log data was partially submitted and incomplete.</p>	<p>Adelaide Energy has improved the methods to monitor well work activities and submissions of data to PIRSA.</p> <p>Full submission will be completed early in the following licence year.</p>
2	30/9/09	Quarterly Cased Hole Reports – Q2/2009	<p>Adelaide Energy fills out quarterly well work reports for the Katnook Region including the PRL 1 well, in a format that includes a column stating the obligation to provide information to PIRSA and the due date. The quarterly report in September 2009 noted that the 28 September 2009 report had been sent and that the full digital log data had not been sent.</p>	<p>A system is now in place to avoid recurrence of such non-compliance.</p>

4.1.3 Compliance with Statement of Environmental Objectives (SEO)

Statement of Environmental Objectives for the Production and Processing of Petroleum Products and Associated Activities at the Katnook and Ladbroke Grove Gas Plants			
Objectives	Assessment Criteria	Compliant / Non-Compliant	Comments
1. Avoid surface water, groundwater and soil contamination	<ul style="list-style-type: none"> • No contamination of surface water, groundwater or soil as a result of operation activities • No spills outside areas designed to contain them • No cross flow behind casing in production wells • Sufficient barriers demonstrated in production wells to prevent likelihood of cross flow 	Compliant	<ul style="list-style-type: none"> • No incidents occurred involving contamination to groundwater. • No spills or leaks occurred. • Wellhead pressure readings indicate no casing failures. • Wells constructed with appropriate barriers in place.
2. Minimise disturbance to native vegetation and native flora	<ul style="list-style-type: none"> • No injuries to native fauna due to facility processes • Removal of native vegetation in accordance with requirements of Native Vegetation Council 	Compliant	<ul style="list-style-type: none"> • No native fauna injured. • No development occurred resulting in the removal or damage to native vegetation. • Existing well site are already cleared on existing agricultural land.
3. Maintenance of facilities to prevent failure	<ul style="list-style-type: none"> • No unplanned interruptions of supply resulting in gas restrictions being applied to commercial and domestic customers 	Compliant	<ul style="list-style-type: none"> • No unplanned supply interruptions to commercial and domestic customers occurred due to plant failures.
4. Avoid disturbance to sites of Aboriginal and European heritage significance	<ul style="list-style-type: none"> • No unauthorised disturbance to Aboriginal or European heritage areas 	Compliant	<ul style="list-style-type: none"> • No activities conducted outside current operating areas. • No disturbance to Aboriginal and non-indigenous heritage sites.
5. Minimise the Risk to the public and other third parties	<ul style="list-style-type: none"> • No injuries to the public as a result of facility processes 	Compliant	<ul style="list-style-type: none"> • No injuries to the public as a result of facility processes. • Security fencing installed around W#2 facilities.
6. Avoid disturbance to stakeholders and their associated infrastructure	<ul style="list-style-type: none"> • No reasonable complaints from stakeholders • Noise emissions comply with EPA requirements • No new weed or pest infestations due to site activities 	Compliant	<ul style="list-style-type: none"> • No complaints received from land users or stakeholders. • Noise emissions from site falls within EPA noise emissions requirements • No introduced exotic weed species as a consequence of activities. Presence of weeds and pathogens consistent with or better than adjacent land.

4.2 Management System Audits

Petroleum and Geothermal Regulations, Section 33 (2) (d) requires

“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 action that has, or will be, taken”

During the reporting period, no management audits were undertaken in PRL 1.

4.3 Data Submissions

Petroleum and Geothermal Regulations, Section 33 (3) (e) requires

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

List of Report and Data Submissions During the Current Licence Reporting Year			
Description of Report / Data	Due Date	Date Submitted	Compliant / Non-compliance
2008 PRL 1 Annual Report	09/03/2009	28/02/2009	Compliant
ACTIVITY NOTIFICATIONS			
Activity Notification – Construction of Pipeline PL 19		01/12/2009	n/a
Activity Notification – Commission & Operate Pipeline PL19		30/03/2010	n/a
QUARTERLY CASED HOLE REPORTS			
Cased Hole Report Katnook Area - Jun 2009	31/7/2009	03/06/2009	Compliant
Cased Hole Report Katnook Area - Sep 2009	31/10/2009	28/09/2010	Compliant
Cased Hole Report Katnook Area - Dec 2009	31/01/2010	25/01/2010	Compliant
Cased Hole Report Katnook Area – Mar 2009	31/04/2010	17/06/2010	Non-compliant
DATA LOGS			
Wynn 2 Cased Hole Logs - August 2009	19/10/2009	incomplete	Non-Compliant
OTHER REPORTS			
Wynn 2 Cased Hole Log Report - August 2009	19/10/2009	28/09/2009	Compliant

- 2008 PRL 1 Annual Report;
- The only active PRL 1 well (Wynn 2) was included in quarterly well work reports sent to PIRSA by Adelaide Energy for the Katnook Region;
- A report on the August 2009 Wynn 2 cased hole logging job was sent to PIRSA on 28 September 2009.

4.4 HS&E Incidents

Petroleum and Geothermal Regulations, Section 33 (2) (f) requires:

“in relation to any incidents reported to the Minister under the Act and these regulations during the relevant licensing 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”.*

There were no reportable incidents occurred during the reporting period.

4.5 Threat Prevention

Petroleum and Geothermal Regulations, Section 33 (2) (g) requires

“a report on any reasonably foreseeable threats (other than threats previously reported on) that reasonably present, 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”.

There were no perceived threats, and no action taken during the reporting period.

4.6 Licence Conditions and Future Work Program

Petroleum and Geothermal Regulations, Section 33 (2) (h) requires

“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 2010, Adelaide Energy plans to complete the cased and suspended Wynn 2 well and install a new pipeline to connect the well to Katnook Plant via Haselgrove South #1. This will be the first time that any well in PRL 1 has been connected for long-term production.

5 Production Forecast

Petroleum and Geothermal Regulations, Section 33 (2) (i) requires

“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

First PRL 1 production from Wynn 2 to Katnook Plant may not occur in the next year (to 9 January 2011) because:

- The Wynn 2 completion and initial clean-up testing (to flare) may not be successful; and
- If the completion/clean-up is successful, there will be some time until the wellsite facilities are installed for production to Katnook Plant. Those facilities may be commissioned after 2010;

Petroleum and Geothermal Regulations, Section 33.(2) (i) makes it clear that the production forecast is not strictly required in the Annual Report for a PRL, but it is reasonable to assume zero production in the year to 9 January 2011 other than clean-up testing.

6 Expenditure Statement

Petroleum and Geothermal Regulations, Section 33 (3) requires

“an annual report must be accompanied by a statement of expenditure on regulated activities conducted under the licence for the relevant licence year”.