

Annual Report

Licence Year 3 (Term 2)

10 November 2012 – 9 November 2013

Petroleum Exploration Licence (PEL) 110

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REVISION HISTORY

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1 INTRODUCTION

Petroleum Exploration Licence (PEL) 110 was granted on 5 February 2003 and renewed for a further term effective 9 November 2008. The licence is located in the Cooper and Eromanga Basins, South Australia. This report details the work conducted during Licence Year 3 (Term 2) of the licence (10 November 2012 to 9 November 2013), in accordance with Regulation 33 of the *Petroleum and Geothermal Energy Act 2000*.

1.1 Associated Activities Licence

Associated Activities Licence (AAL) 189 was granted on 5 February 2013 to allow for the Dundinna 3D Seismic Survey to be carried out over areas in the vicinity of PEL 110. This report also pertains to the operations conducted during the licence year of PEL 110 in accordance with Regulation 33 of the *Petroleum and Geothermal Energy Act 2000*.

Associated Activities Licence (AAL) 189 is due to expire 4 February 2014. A renewal of the licence will be sought to allow time for the completion of all required rehabilitation activities within the Dundinna Survey area.

2 PERMIT SUMMARY

For the duration of the licence year, licensees for Petroleum Exploration Licence (PEL) 110 were:

- Victoria Oil Exploration (1977) Pty Ltd 60%
- Cooper Energy Ltd 20%
- Orca Energy Ltd 20%

The current work commitments (including all variations) associated with PEL 110 can be seen in Table 1.

Table 1 Current work commitments (incl. variations) by licence year

Licence Year	Licence Date	Minimum Work Program
1	9 November 2008 – 8 November 2009	Geological and Geophysical Studies
2	9 November 2009 – 9 November 2012	Geological and Geophysical Studies
3	10 November 2012 – 9 November 2013	100 km ² 3D Seismic Acquisition; Geological and Geophysical Studies
4	10 November 2013 – 9 November 2014	Geological and Geophysical Studies
5	10 November 2014 – 9 November 2015	Drill one well; Geological and Geophysical Studies

Licence Year 3 concluded on 9 November 2013. 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
1	Geological and Geophysical Studies	<ul style="list-style-type: none"> Geological and Geophysical Studies
2	Geological and Geophysical Studies	<ul style="list-style-type: none"> Geological and Geophysical Studies
3	100 km ² 3D Seismic Acquisition; Geological and Geophysical Studies	<ul style="list-style-type: none"> 179km² 3D seismic acquisition (Dundinna Survey); Processing of Dundinna 3D Seismic
4	Geological and Geophysical Studies	-
5	Drill one well; Geological and Geophysical Studies	-

3 REGULATED ACTIVITIES

Pursuant to Regulation 33(2)(a) of the Regulations, 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.

3.1 *Drilling and Related Activities*

No regulated activities undertaken in the licence reporting period.

3.2 *Seismic Data Acquisition*

Dundinna 3D Seismic Survey:

- 179km² in PEL 110
- Contractor: Terrex Seismic
- Commencement date: 4 June 2013
- Completion date: 25 June 2013

3.3 *Seismic Data Processing and Reprocessing*

Processing of the Dundinna 3D Seismic Survey data commenced on 23 October 2013 and will continue into Licence Year 4.

- Seismic data processed by CGG
- 11% of the processing was complete by 9 November 2013

3.4 **Geochemical, Gravity, Magnetic and other surveys**

No regulated activities undertaken in the licence reporting period.

3.5 **Production and Processing**

No regulated activities undertaken in the licence reporting period.

3.6 **Pipeline/ Flowline Construction and Operation**

No regulated activities undertaken in the licence reporting period.

3.7 **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.”

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

4.1 **Licence Non-Compliance**

No licence non-compliances were identified for PEL 110.

4.2 **Regulatory Non-Compliance**

There was one regulatory non-compliance identified for PEL 110 during the reporting period. Further details are recorded in Table 3 and Table 5.

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

Date	Activity	Details	Rectification
7/11/2013	Geochemical Results of Drill Cuttings Sampling Report (sample inspection 4022)	Report was submitted late and contained incomplete information	Report to be resubmitted with correct data. Review of regulatory reporting requirements and due dates to be undertaken

4.3 Compliance with Statement of Environmental Objectives

No SEO non-compliances were identified for PEL 110.

Seismic activities conducted in PEL 110 have been assessed against the following Statement of Environmental Objectives:

- *Statement of Environmental Objectives: Cooper Basin Geophysical Operations (Santos Ltd. 2006).*

Table 4 SEO for Geophysical Operations, Cooper Basin, SA (Santos Ltd. 2006)

Objective / Goals	Assessment Criteria	Compliant/ Non-Compliant	Comments
Objective 1: Minimise the visual impact of operations.	Proposed survey lines and campsites have been appropriately located and prepared to minimise visual impact. The attainment of 0, +1 or +2 GAS criteria for 'visual impact' objective listed in Appendix 3.	Compliant/ Achieved	All relevant GAS scores were recorded at '0', '+1' or '+2'.
Objective 2: To minimise disturbance to and contamination of soil resources.	<u>Campsite and survey line preparation</u> Attainment of 0, +1 or +2 GAS criteria for 'Minimise impacts to land surface' objective, as listed in Appendix 3. Proposed survey lines and campsites have been appropriately located and prepared to minimise the disturbance to soil resources. <u>Fuel Storage and Handling</u> No refuelling occurs outside designated refuelling/servicing areas. Spills or leaks are immediately reported and clean up actions initiated. Records of spill events and corrective actions are maintained in accordance with company procedures. Appropriate spill response equipment is available on site.	Compliant/ Achieved	All relevant GAS scores were recorded at '0', '+1' or '+2'.
Objective 3: To minimise disturbance to native vegetation and fauna.	<u>Campsite and survey line preparation</u> The attainment of either 0, +1 or +2 GAS criteria for 'Impact on native vegetation' objective listed in Appendix 3. No mature trees are removed. Vehicle access to survey lines is to	Compliant/ Achieved	All relevant GAS scores were recorded at '0', '+1' or '+2'.

Objective / Goals	Assessment Criteria	Compliant/ Non-Compliant	Comments
	<p>be via existing access tracks or pre-existing survey lines, except where they have rehabilitated. Other temporary access tracks may be utilised where such use is likely to result in less environmental impact than other options.</p> <p><u>Fuel and Chemical Storage and Management</u> Refer to assessment criteria for objective.</p> <p><u>Fire Danger Season restrictions and education</u> All personnel are fully informed on the fire danger season and associated restrictions.</p>		
<p>Objective 4: To avoid disturbance to sites of cultural and heritage significance.</p>	<p>The following is one possible procedure to achieve the objective. Appropriately trained and experienced cultural/ heritage advisors have scouted proposed survey line locations and access tracks.</p> <p>The operator has a mechanism in place to appropriately report and respond to any sites discovered during survey operations. Any sites identified have been flagged and subsequently avoided.</p> <p><i>Note:</i> Where a negotiated agreement or determination for heritage is in place, compliance with the negotiated agreement or determination takes precedence over the above criteria.</p>	<p>Compliant/ Achieved</p>	<p>All relevant GAS scores were recorded at '0', '+1' or '+2'.</p>
<p>Objective 5: To minimise disturbance to livestock, pastoral infrastructure and landholders.</p>	<p>The attainment of 0, +1 or +2 GAS criteria for 'Impact on infrastructure' objective listed in Appendix 3. No reasonable concerns raised by stakeholders are left unresolved. The extent to which the relevant sections of the Petroleum Act and Regulations have been followed and implemented and in particular in relation to landowner liaison and notification.</p>	<p>Compliant/ Achieved</p>	<p>All relevant GAS scores were recorded at '0', '+1' or '+2'.</p>

Objective / Goals	Assessment Criteria	Compliant/ Non-Compliant	Comments
Objective 6: To avoid the introduction or spread of exotic species and implement control measures as necessary.	Weeds or feral animals are not introduced into, or spread, in operational areas	Compliant/ Achieved	No weeds or feral animals were introduced or spread in operational areas.
Objective 7: To minimise disturbance to drainage patterns and avoid contamination of surface waters and shallow groundwater resources.	<p><u>Campsite and survey line preparation</u> Campsites and survey lines/traverses are located and constructed to avoid diversion of water flows. The attainment of 0, +1 or +2 GAS criteria for 'disturbance to land surface' objective listed in Appendix 3. No uncontrolled flows to surface from aquifers intersected in upholes/ shallow boreholes. There is no unnecessary interference with natural drainage features.</p> <p><u>Fuel Storage and Handling</u> No spills occur outside of areas designed to contain them. Refuelling occurs at least 1km from watercourses or sensitive ecological environments (wetlands). Appropriate spill response equipment is available on site. Spills or leaks are immediately reported and clean up actions initiated promptly.</p>	Compliant/ Achieved	All relevant GAS scores were recorded at '0', '+1' or '+2'.
Objective 8: To optimise waste reduction and recovery.	Wastes are segregated, burnt or transported to an Environment Protection Authority (EPA) approved waste disposal facility for recycling or burial in accordance with approved procedures. 0, +1 or +2 GAS criteria are attained for 'Negligible survey markers and rubbish in situ' objective listed in Appendix 3.	Compliant/ Achieved	All relevant GAS scores were recorded at '0', '+1' or '+2'.

4.4 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 undertaken.

4.5 Report and Data Submissions

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

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

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

Description of Report/Data	Date Due	Date Submitted	Compliant / Non-Compliant
PEL 110 Year 2 (Term 2) Annual Report	9/01/2013	12/12/2012	
PEL 110 Year 2 (Term 2) Annual Report - Resubmission	11/03/2013	1/03/2013	Compliant
Dundinna Seismic Program - Activity Notification	-	15/03/2013	Compliant
Dundinna Seismic Program - Risk Assessment Report	-	22/03/2013	Compliant
Dundinna Induction Material	-	2/05/2013	Compliant
Dundinna Seismic Weekly Report	7/06/2013	7/06/2013	Compliant
Dundinna Seismic Weekly Report	14/06/2013	14/06/2013	Compliant
Dundinna Seismic Weekly Report	21/06/2013	21/06/2013	Compliant
Dundinna Seismic Weekly Report	28/06/2013	28/06/2013	Compliant
Geochemical Results of Drill Cuttings Sampling Report	7/11/2013	11/11/2013	Non-Compliant

4.6 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”.

There were no reportable incidents during the reporting period.

4.7 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”.

There were no perceived threats; as a result no action was taken.

4.8 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”.

Table 6 Future work program by licence year for renewed term

Area of Activity	Minimum Work Program	Planned Work	Commencement date
Drilling and related activities	-	-	-
Seismic data and acquisitions	-	-	-
Seismic data processing and reprocessing	-	Processing of Dundinna 3D Seismic Survey data	Ongoing
Production and Processing	-	-	-
Geochemical, Gravity, Magnetics and other surveys	-	-	-
Pipeline Construction and Operation	-	-	-
Geological and Geophysical studies	Geological and Geophysical studies	Geological and Geophysical studies	Ongoing

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.