

Officer Basin Energy Pty Ltd

Annual Report

Officer Basin, South Australia

Petroleum Exploration Licences 81 & 253

Licence Year 2

for the period

25 June 2008-24 June 2009

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1. INTRODUCTION

Petroleum Exploration Licences (PEL) 81 and 253 were granted on 25 June 2007. The licences are located in the Officer Basin, South Australia. This report details the work conducted during Licence Year 2 of the licence (25 June 2008 – 24 June 2009 inclusive), in accordance with Regulation 33 of the Petroleum Act 2000.

2. PERMIT SUMMARY

For the duration of the licence year, the licensee for PELs 81 and 253 was Officer Basin Energy Pty Ltd (OBEPL) which currently maintains 100% interest in both licences.

Current work commitments associated with PELs 81 and 253, as stated in the licence, are shown in Table 1A and 1B.

TABLE 1A PREVIOUS WORK COMMITMENTS BY LICENCE YEAR FOR PEL 81

Licence Year	Minimum Work Program
Year 1	Acquire 250 km 2D seismic, reprocess existing data, geological and geophysical studies
Year 2	Acquire 250 km 2D seismic
Year 3	Drill one well
Year 4	Acquire 250 km 2D seismic
Year 5	Drill one or two wells

TABLE 1B PREVIOUS WORK COMMITMENTS BY LICENCE YEAR FOR PEL 253

Licence Year	Minimum Work Program
Year 1	Acquire 100 km 2D seismic, geological and geophysical studies
Year 2	Acquire 100 km 2D seismic, geological and geophysical studies
Year 3	Drill one well
Year 4	Geological and geophysical studies
Year 5	Acquire 200 km 2D seismic

Licence Year 2 concluded on 24 June 2009. The following table displays the minimum work program 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 [PEL 81]	Acquire 250 km 2D seismic, reprocess existing data, geological and geophysical studies	985 km 2D seismic (~635 km in PEL 81 and 350 km in PEL 253.
Year 1 [PEL 253]	Acquire 100 km 2D seismic, geological and geophysical studies	Mapping of at least 5 horizons across the area and definition of several large structures that require further seismic to delineate their crests Reprocessed 93 BMR-03 Potential field modelling
Year 2 [PEL 81]	Acquire 250 km 2D seismic	518 km 2D seismic
Year 2 [PEL 253]	Acquire 100 km 2D seismic, geological and geophysical studies	Mapping of at least 5 horizons across the area and definition of several large structures. Reprocessed 93 BMR- 04, 05, 06 Potential field modelling

There were no suspensions during this licence year for either licence area.

3. REGULATED ACTIVITIES

This section provides a summary of regulated activities (as defined under Regulation 33 (2) (a) of the Act):

Seismic Data Acquisition

Line clearing commenced on the 20 November 2008, and was undertaken by Maralinga Tjarutja, who were subcontracted through Terrex Seismic. Seismic data was acquired by Terrex Seismic during the second reporting year in PELs 81 and 253 for the Maralinga Lands Seismic Survey 2. The program consisted of approximately 518 km 2D seismic. The program started 29 January 2009 and ended 10 March 2009. A rehabilitation program is scheduled in the third licence year subject to ongoing discussions with PIRSA, MT and other stakeholders regarding their rehabilitation requirements.

Seismic Data Processing and Reprocessing

Seismic processing for the Maralinga Lands Seismic Survey 2 and seismic reprocessing was undertaken by Divestco Calgary. Depth maps were produced across the area using existing checkshot data and velocity modelling.

Geochemical, Gravity, Magnetic and other surveys

No geochemical, gravity, magnetic or other surveys were conducted.

Preliminary Survey Activities

Preliminary survey activities undertaken in the current licence reporting period include:

- Work area clearances with Maralinga Tjarutja (MT) people and anthropologist Scott Cane undertaken prior to seismic operations.
- Review of the existing Environmental Impact Report (EIR) and Statement of Environmental Objectives (SEO) for Geophysical Operations, completed January 2009 with the SEO revised and gazetted.
- Planning for 2008/9 seismic survey.

4. COMPLIANCE ISSUES

Licence and Regulatory Compliance

1. Compliance

As per Regulations 33(2)(b) the annual report must include information on compliance with the Act, regulations, the licence and any relevant Statement of Environmental Objectives.

Licence

To the best of our knowledge, OBEPL has complied with all of the licence conditions during the permit year.

Act and Regulations

During the reporting year OBEPL complied with the majority of requirements under the Petroleum Act 2000. These included:

- Activity notification requirements to undertake a high level supervision regulated activity and the conditions imposed by the Minister in that approval
- Entry to Land requirements under Part 10 of the Act to enter the land to undertake a regulated activity
- All mandatory conditions under the Act
- Payment of Annual Fees
- Record keeping and reporting obligations; and
- Preparation and submission of an Environmental Impact Report and a Statement of Environmental Objectives to undertake a regulated activity.

TABLE 3 REGULATORY NON-COMPLIANCE

Below is the list of regulatory non-compliances for the current reporting year

Date	Activity	Details of Non-Compliance	Rectification of Non-Compliance
	Late submission of this Annual Report,	Due to the delay in obtaining some pertinent information	Reporting will commence earlier

Statement of Environmental Objectives

Table 4 provides a summary of OBEPL's compliance record against the January 2009 Statement of Environmental Objectives. Any non-compliance is accompanied by a statement as to why compliance did not occur, the measures taken to rectify the non-compliance and procedures implemented to ensure future compliance.

The status of a rehabilitation program is still to be determined, in consultation with MT, PIRSA and other relevant stakeholders. Once rehabilitation has been conducted, the environmental audit report, as required under the SEO, will be submitted within two months.

Pursuant to the Maralinga Land Rights Act 1984 the "Land Access and Production Agreement for Petroleum Exploration and Production" was entered into between the Maralinga Tjarutja and OBEPL on 19 June 2007 (Agreement). The Agreement provide for the grant of the PELs and the terms upon which OBEPL may enter the land to undertake petroleum exploration and production. OBEPL confirms that it has complied with all requirements under the Agreement.

2. Actions to rectify non-compliance

Regulations 33(2)(c) requires a statement concerning any actions taken to rectify any non compliance and how recurrence of any such non-compliances is minimised in the future. For issues relevant to the SEO refer to Table 4.

Procedures have been put into place to ensure that all future Annual Reports are submitted within the timeframe set. Similarly the Weekly geophysical reports will be submitted on time using a diary based system, which will be implemented at the commencement of the surveys.

TABLE 4 COMPLIANCE WITH 2009 PELS 81 & 253 SEO: GEOPHYSICAL OPERATIONS IN THE OFFICER BASIN, SOUTH AUSTRALIA

Objective	Assessment criteria	Compliant / non-compliant (inc. compliance statement)	Comments
1. OBEPL and its contractors will avoid disturbance to sites of MT cultural and heritage significance	No disturbance to aboriginal heritage sites or other sites of cultural significance	Compliant	Full heritage survey proceeded geophysical operations. Proposed lines were agreed and given heritage clearance. All land clearance crews were inducted by MT. Where possible PIRSA representatives were similarly inducted. Efforts will be made to ensure all future PIRSA representatives in the field are inducted. Where possible, all contractors were provided with cultural training during induction and prior to commencing activities.
	As per the OBE/MT agreement, appropriately trained and experienced cultural / heritage advisors have scouted proposed survey line locations and access tracks. Identified sites are flagged off.	Compliant	
	As per the OBE/MT agreement, the crew is appropriately trained to identify, respond to and report unmarked heritage sites.	Compliant	
2. OBEPL and its contractors will minimise disturbance to the MT and any infrastructure	No reasonable concerns raised by the MT are left unresolved	Compliant	MT was appropriately notified prior to commencement of survey activities. Contractors and employees were inducted in cultural heritage and environmental protection legislation requirements Periodic meetings were organised with MT representatives to discuss OBEPL operations and
	No MT facilities have been disturbed during field operations without prior written permission	Compliant	

Objective	Assessment criteria	Compliant / non-compliant (inc. compliance statement)	Comments
	If any of the conditions of the OBE/MT agreement are breached, it will also be deemed to be a breach of this SEO provided those conditions relate to environmental matters	Compliant	community requirements. All MT facilities were avoided during operations. OBEPL minimised wheel ruts through implementation of a policy in relation to driving and wet weather conditions and more effective training in relation to this policy relates to both established roads and tracks, and seismic lines.
	The attainment of '0', '+1' or '+2' GAS score for 'disturbance to infrastructure' as listed in Appendix 2.	To be assessed after rehabilitation*	OBEPL recognises that improvements associated with documentation of training are necessary.
3. OBEPL and its contractors will minimise disturbance to native vegetation and native fauna	Removal of mature trees should occur only when unavoidable, and when weaving, detours or other mitigation strategies do not afford practical access	No mature trees were unnecessarily removed and substantial effort was maintained in order to achieve this objective.	Lines had undergone heritage clearance surveys prior to clearance and clearance was undertaken by MT people as sub-contractors. OBEPL ensured that comprehensive training in respect of native vegetation preservation was undertaken. OBEPL is not aware of the introduction or spread of non native plants, animals or pathogens. OBEPL will aim to remain highly vigilant and to continuously implement strategies to achieve this. The status of a rehabilitation program is still to be
	OBEPL shall ensure that any MT requirements are met regarding any trees of cultural significance	Compliant	
	Weaving to avoid vegetation impact is used throughout the survey where it is practical to do so (see comment)	Compliant	

Objective	Assessment criteria	Compliant / non-compliant (inc. compliance statement)	Comments
	Campsites are located, wherever possible, in naturally clear or previously disturbed areas, and are prepared to the minimum standard and size required for the survey camp in consultation with the camp provider	Compliant	<p>determined, in consultation with MT, PIRSA and other relevant stakeholders. Once rehabilitation has been conducted, the environmental audit report, as required under the SEO, will be submitted within two months.</p> <p>Following a request from PIRSA future inspections will be photographed in detail.</p>
	No offline driving is evident (see comments)	Compliant	
	No domestic camp animals are permitted	Compliant	
	Weeds, pathogens or feral animals are not introduced into, or spread in, operational areas	Compliant	
	As a minimum, all vehicles are inspected and assessed for the risk of transferring any new species into the survey area	Compliant	
	Fire fighting equipment is readily available and sufficient personnel trained	Compliant	

Objective	Assessment criteria	Compliant / non-compliant (inc. compliance statement)	Comments
	The attainment of '0', '+1' or '+2' GAS score for 'impact on vegetation' as listed in Appendix 2	To be assessed after rehabilitation*	
	When applicable the attainment of '0', '+1' or '+2' GAS score for 'campsites' as listed in Appendix 2	To be assessed after rehabilitation*	
4. OBEPL and its contractors will minimise land disturbance	The MT are consulted on line placement by OBEPL	Compliant	<p>Survey lines and campsites were located in culturally cleared corridors.</p> <p>Cultural clearance for lines and campsite was undertaken by trained and experienced anthropologist and senior traditional spokespersons.</p> <p>No sensitive land areas or inundated areas were traversed.</p> <p>Bunding was used to contain hazardous materials.</p> <p>No refuelling occurred outside designated areas.</p> <p>Terrain, land system type and conduciveness for support were considered during planning stage, as were survey line preparation techniques. This</p>
	No survey line or access track preparation is carried out on salt lakes, clay pans or in wetland areas	Compliant	
	Campsites are located, wherever possible, in naturally clear or previously disturbed areas, and are prepared to the minimum standard and size required for the survey camp in consultation with the camp provider	Compliant	

Objective	Assessment criteria	Compliant / non-compliant (inc. compliance statement)	Comments
	No spills are left untreated	Compliant	involved extensive discussions with PIRSA, who have documented this.
	There is no off-road driving or creation of short cuts (see objective 3 comments)	Compliant	
	Whenever practicable, width of line is reduced by line clearance equipment operating with raised blades	Some early dune cuts exceeded prescribed 1 metre cut depth. Some lines exceeded 5 metres in width.	
	Blading will occur only where necessary so as to minimise vehicle and tyre damage and to ensure safety of all personnel	Compliant	
	The attainment of '0', '+1' or '+2' GAS score for 'Disturbance to land surface (dune, inter-dune corridors, limestone plains, gypcrete formations, salt lakes as appropriate)' as listed in Appendix 2	To be assessed after rehabilitation*	

Objective	Assessment criteria	Compliant / non-compliant (inc. compliance statement)	Comments
	When applicable the attainment of '0', '+1' or '+2' GAS score for 'campsites' as listed in Appendix 2	To be assessed after rehabilitation*	
	When applicable the attainment of '0', '+1' or '+2' GAS score for 'uphole sites' as listed in Appendix 2	To be assessed after rehabilitation*	
5. OBEPL and its contractors will minimise the visual impact of operations	MT consulted on location of activities	Compliant	<p>See comments to objective 1.</p> <p>Line clearance was undertaken by MT under the direction of Terrex. Terrex procedures (industry best practice, in compliance with the SEO) were used.</p> <p>Impacts of waste and spills on visual amenity were mitigated as described in section 4 and Table 5.</p>
	No 'gun barrel straight' lines prepared. Lines should weave at least every 200 metres through vegetation and other topographic features	Compliant	
	The attainment of '0', '+1' or '+2' GAS score for 'visual impact' as listed in Appendix 2	To be assessed after rehabilitation*	
6. OBEPL and its contractors will minimise litter	No survey or camp litter remains	To be assessed after rehabilitation*	All domestic waste was regularly taken to Oak Valley and then onto Ceduna.

Objective	Assessment criteria	Compliant / non-compliant (inc. compliance statement)	Comments
and pollution	Maximum of 2 pins per km	Final Inspection to be done at rehabilitation.	<p>Covered bins provided</p> <p>OBEPL acknowledges that waste disposal requires continual monitoring. Management of sewerage at campsites must be dealt with in accordance with Public and Environmental Health (Waste Control) Regulations 1995. Chemically degraded toilet waste may be disposed of on-site (not near watercourses) when in remote areas.</p> <p>Most pins and stakes removed. A special run was made to collect any oversights. Final inspection to be done at rehabilitation.</p> <p>Bunding was used to contain hazardous materials.</p> <p>No refuelling occurred outside designated areas.</p> <p>Appropriate spill response equipment was available on site.</p> <p>Records of any spill events and corrective actions are maintained, based on Terrex company procedures, and are available for audit.</p>
	No spills are left untreated	Compliant	
	The attainment of '0', '+1' or '+2' GAS score for 'pollution or litter' as listed in Appendix 2	To be assessed after rehabilitation*	
	When applicable the attainment of '0', '+1' or '+2' GAS score for 'uphole sites' as listed in Appendix 2	To be assessed after rehabilitation*	
7. OBEPL and its contractors will remediate and rehabilitate operational areas to agreed	All areas are rehabilitated as soon as practical, either during or after the conclusion of survey operations	The status of a rehabilitation program is still to be determined, in consultation with MT, PIRSA and other relevant stakeholders. Once	Rehabilitation procedures are subject to ongoing discussions between OBEPL, MT and PIRSA

Objective	Assessment criteria	Compliant / non-compliant (inc. compliance statement)	Comments
standards		rehabilitation has been conducted, the environmental audit report, as required under the SEO, will be submitted within two months.	

* A number of seismic lines will be left open for use by MT, some lines will be used for access for new seismic program and the remaining 2007/8 lines will be rehabilitated subject to requirements of MT people and PIRSA in compliance with the native Vegetation Act and Regulations.

^{NB:} GAS: Goal Attainment Scaling – method of assessing the attainment of environmental objectives for geophysical operations in the Officer Basin, South Australia as specified in PELs 81 & 253 SEO Objectives: Geophysical Operations for OBEPL – revision January 2009.

3. Management system audits

As per Regulations 33(2) (d), this 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 action that has or will be taken.

No management system audits were undertaken during the permit year.

4. Reports and data submission

As per Regulation 33(2) (e), this annual report must provide a list of any relevant reports or data generated by the licensee during the licence year.

A list of all relevant reports and data for the current permit year is provided in Table 3.

TABLE 4 LIST OF REPORTING AND DATA SUBMISSIONS DURING CURRENT LICENCE REPORTING YEAR

<i>Description of report/data</i>	<i>Date due</i>	<i>Date submitted</i>	<i>Compliant / non-compliant</i>
Geophysics			
Activity notification	35 days before commencement of activities (20.11.08).	11.08.08	Compliant
Geophysical progress reports	Progress reports to be submitted during activity (preferably weekly)	Intermittent submissions	Compliant
General			
Annual report	24.8.09	28.09.09	Non Compliant
Serious incident report	N/A	None	
Data			
Field data	12 months after completion of recording	10.03.09	Compliant

5. Incidents

As per Regulation 33(2) (f), this annual report must include information regarding any reportable incidents.

- There are no reportable incidents during the reportable year.

6. Threat prevention

As per Regulation 33(2) (g) under the Act, this annual report must include a report of any threats to facilities or activities in the licence area and any corrective action.

- There are no facilities in the two licence areas
- No threats to activities have been identified that are not already listed in the Environmental Impact Report.

7. Future Work Program

As per Regulation 33(2) (h) under the Act, this annual report must include a statement outlining proposed operations for the ensuing year.

OBEPL are planning a drilling program for the third permit year. Planning and procedures will be undertaken during this time.

5. EXPENDITURE STATEMENT

Pursuant to Regulation 33(3) under the Act, this annual report contains a statement of expenditure for the current reporting period (Appendix 1).

APPENDIX 1

EXPENDITURE STATEMENT

Commercial in Confidence