



**STUART
PETROLEUM
LIMITED**
ABN 58 059 146 226

ANNUAL REPORT

**Petroleum Exploration Licence 93
Petroleum Production Licence 207
South Australia**

Commencement date: 5th November 2004

Completion date: 5th November 2005

(Reporting period has been extended to 31st December 2005.)

Regulation 33 (2) (a):**Regulated activities undertaken**

- Finish drilling Arwon #1 exploration well; complete Arwon #1;
- Drill Worrior #3 appraisal / development well; Complete Worrior #3;
- Construction of borrow pits;
- Construction of roads;
- Construction of Arwon flowline to Worrior Facility, installation of tanks and surface pump.

Regulation 33 (2) (b):**Compliance with the Act, Regulations, Licence Conditions and relevant Statement of Environmental Objectives**

- The Arwon oil field commenced production as part of an Extended Production Test (EPT) prior to applying for permission to conduct an EPT. (A prior application to construct and operate production facilities did not cover an EPT.)

RELEVANT STATEMENT OF ENVIRONMENTAL OBJECTIVES

Environmental Objectives in relation to the drilling of the Worrior #3 and Arwon #1 wells and the production of oil from the Worrior and Arwon Fields were met. In particular the following objectives were met:-

1. Minimise risk to public and third party risks.
2. Minimise disturbance and soil contamination.
3. Avoid introduction of pest species.
4. Minimise disturbance to drainage patterns; avoid contamination of surface and shallow groundwaters.
5. Avoid disturbance to sites of cultural and heritage significance.
6. Minimise loss of aquifer pressures and avoid aquifer contamination.
7. Minimise disturbance to native vegetation and fauna.
8. Minimise air pollution and greenhouse gas emissions.
9. Maintain / enhance partnerships in community.
10. Avoid or minimise disturbance to Stakeholders and associated infrastructure.
11. Optimise waste reduction and recovery.
12. Remediate and rehabilitate operational areas to agreed standards.
13. Avoid disturbance to rare, endangered and vulnerable species.
14. Avoid impacts on high biological value or wilderness value areas.

15. Avoid flowline, process storage and loading facility spills.
16. In the event of a process fluid spill, minimise the impacts on biota, soils surface water and groundwater.
17. Minimise fire risk at facility, prevent spread of any fires to wellhead.
18. Avoid transportation spills.
19. In the event of a transportation spill, minimise the likelihood of its spread, minimise impacts of fire resulting; cleanup and remediation of oil-affected land to accepted Soil Health Index (SHI).
20. Formation water cleaned to no visible oil before disposal.
21. Minimise work force hazards.

Regulation 33 (2) (c):

Actions to rectify non-compliance

In the previous licence year, non-compliances occurred related to data or report submissions for seismic, wells and production operations.

As of the 15th March 2006, Technical Assistants will be employed in the Geoscience and Production sections of Stuart Petroleum to ensure that non-compliances relating to reporting and data management are eliminated.

In regards to EPT applications, a procedure is in place to apply for permission to conduct an EPT prior to production commencing.

Regulation 33 (2) (d):

Management System Audits

An audit of Stuart Petroleum's document management system and of its IT security has been undertaken by an external consultant. Problems were identified and recommendations were made to improve the systems. Implementation is in progress. Data and documents associated with PEL 93 were included in the audit.

Regulation 33 (2) (e):

Reports Generated in the Licence Year

DRILLING

Worrior #2

Final Well Completion Report	15/04/05
Well Completion Report – for completion	15/04/05

Arwon #1

Final Well Completion Report	06/05/05
------------------------------	----------

Worrior #3

Heritage Survey Report
Environmental Risks and Compliance Report
Emergency Response Plan
Drilling Program:
 Evaluation – geological / geophysical
 Drilling Engineering
Completion Program
Daily Geological and Drilling Reports

SEISMIC**Worrior 3D**

Reprocessing Report for 2003 PEL 93 / 113
Worrior 3D Seismic Survey
 (by DownUnder Geosolutions)
Eromanga Basin Rock Property Trending
 (by DownUnder Geosolutions)
Stochastic Amplitude Modelling, Worrior Area
 (by DownUnder Geosolutions)

PRODUCTION

Monthly Production Reports for Worrior #1 and #2
Heritage Survey Report for Haul Roads

Arwon

Permanent Crude Oil Handling Facilities:
 Construction Strategy and Plan
 Plant Design Basis
Extended Production Test:
 Crude Oil Flowline Risk Assessment

Worrior

Permanent Crude Oil Handling Facilities:
 Construction Strategy and Plan
 Plant Design Basis

Regulation 33 (2) (f):**Incidents reported to the Minister**

No incidents were reported to the Minister during the period.

Regulation 33 (2) (f) (ii):**Assessment of the effectiveness of previous actions to rectify non-compliance**

There have previously been problems with data quality control on drilling data and seismic survey reports. There have also been issues regarding the timely submission of seismic data and production / completion reports. Extra staff, both permanent and consulting, has been employed to correct deficiencies. A further two full-time Technical Assistants (Geoscience and Production) will be employed to further improve reporting and data management.

Regulation 33 (2) (g):**Foreseeable threats that present a hazard to facilities or activities**

No threats to facilities or activities have been identified which are not already covered in the relevant Environmental Risks and Compliance Reports.

Regulation 33 (2) (h):**Operations Proposed for the fifth Licence year of PEL 93 are:**

- Drilling Worrior #4 and #5 development wells;
- Drilling Dalray #1 exploration well;
- Drilling of an as yet Unnamed exploration well;
- Complete seismic remap of Licence, incorporating 1000km of reprocessed 2D seismic data;
- Reprocessing of Worrior 3D seismic data in an attempt to identify oil pool distribution in the Birkhead Formation (by DownUnder Geosolutions);
- Possibly fly an airborne geochemical survey;
- Complete and connect the Worrior #4 and #5 drill sites;
- Evaluate fractured basement as a potential oil reservoir – PACE Project.

Regulation 33 (2) (i):**For case of PPL 207, estimate the volume of petroleum likely to be produced during the ensuing year**

- It is estimated that 146,000 kL, or 920,000 bbl, of oil is likely to be produced during the ensuing year.

Regulation 33 (2) (j):**For the case of PPL 207, development activities proposed to be undertaken during the ensuing year are:**

- Drill Worrior #4, complete and connect;
- Possibly drill Worrior #5, complete and connect.

Regulation 33 (3):**Annual Expenditure PEL 93 & PPL 207 (1st January 2005 to 31st December 2005)**

Commercial in Confidence