

**Annual Report Petroleum Exploration Licence 93
And Petroleum Production Licence 207
South Australia**

Commencement Date PEL 93: 5th November 2003

Commencement Date PPL 207: 4th November 2004

Regulation 33 (2) (a): Regulated Activities Undertaken.

- Drill Worrior #2 development well
- Drill Arwon #1 exploration well
- Record Worrior 3D seismic survey
- Construction of borrow pits
- Construction of roads
- Construction of oil storage facility
- Construction of a production camp
- Construction of water disposal facility

Regulation 33 (2) (b): Compliance with the Act, Regulations, Licence Conditions and relevant statement of environmental objectives.

Non-compliances identified were:

- The 2002 Pando Seismic Survey Interpretation Report was not submitted within 6 months of the receipt of the final processed seismic data or within 12 months of the same date when the 6 months was extended to 12 months for all licences.
- Production data for Worrior was not submitted regularly on a monthly basis as is required by regulation 45. Some data supplied was in an unacceptable format.
- Quarterly cased hole reports were not provided for each quarter of 2004 and in some wells, cement bond logs were missing.
- Downhole diagrams for Worrior wells were not provided in the required time-frame.
- Worrior #2 logs data were sent to PIRSA without the Slimhole Repeat Formation Tester data in digital form.

Regulation 33 (2) (c): Actions to rectify non-compliance.

An extra person has been employed for four months in the production engineering department with duties including development of a compliance data base with due dates and ownership of reports identified. This database is now in use as part of our process to ensure future compliance.

- For seismic survey reporting a consultant geophysicist is employed on a part-time basis to compile and submit acquisition and processing reports. The Stuart geophysicists have responsibility to complete and submit Interpretation Reports.
- The part-time production engineering employee has retrieved all outstanding production logs, produced quarterly cased hole reports and obtained downhole diagrams for the Worrior wells. Any changes to this data will be supplied at the PIRSA Quarterly Meeting.
- Provision of complete digital log data. A meeting was held with Schlumberger, our electric line logging contractor to explain data requirements. Before each well is drilled there will be a Stuart/Schlumberger (Roma – Perth – Brisbane) tele-conference to explain logging program and data requirements. Wellsite geologists will be supplied with written instructions for each well on log data requirements.

Regulation 33 (2) (d): Management System Audits

No audits of Management Systems associated with PEL 93 were undertaken by Stuart during the licence year ending 5th November 2004.

Regulation 33 (2) (e): Reports Generated in the Licence Year.

Drilling:

Worrior # 2

- Heritage Survey Report
- Environmental Risks and Compliance Report
- Emergency Response Plan
- Drilling Program
 - Evaluation – geological/geophysical
 - Drilling Engineering
- Completion Program

Arwon # 1

- Heritage Survey Report
- Environmental Risks and Compliance Report
- Emergency Response Plan

Drilling Program
Evaluation – geological/geophysical
Drilling Engineering

Seismic:

Worrior 3D

Worrior 3D Seismic Survey Proposal
Heritage Survey Report
Worrior 3D Operations Report
Worrior 3D Acquisition & Processing Report

Pando Seismic Survey 2002

Interpretation Report

Production:

Monthly Production Reports Worrior # 1 & # 2
Heritage Survey Report for roads, pipelines and water disposal
facilities

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

No incidents reported to the Minister.

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

- In relation to submission of well completion reports, employment of a senior geologist has resulted in timely submission of WCR's however Quality Control of data submitted has to be improved.
- Seismic Survey Reports are now being submitted in a timely manner following the employment of a part-time consultant.
- Production reports, quarterly cased hole reports and downhole diagrams are now up to date. The use of the Compliance Data Base to maintain timely report submission will be monitored during 2005.

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

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

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

- Reprocess 1000km of 2D seismic.
- Remap all prospects in PEL 93 following reprocessing to identify two drillable prospects for year 5 non guaranteed program.

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

- 160,000 kl (1,008,000 bbl) oil

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

- Construction of a permanent surface facility at Worrior, including a permanent camp and jet pump artificial lift system
- Upgrades to access road infrastructure

Regulation 33 (3): Annual Expenditure PEL 93 & PPL 207 (5th Nov 2003 – 5 Nov 2004)

COMMERCIAL IN CONFIDENCE