



Australian-Canadian Oil Royalties Ltd.  
Ely Sakhai

PEL 108  
Cooper/Eromanga Basin  
South Australia

Annual Report  
Permit Year 2

17 April 2004 to 16 April 2005

AUSTRALIAN-CANADIAN OIL  
ROYALTIES LTD.

and

ELY SAKHAI

**PETROLEUM EXPLORATION LICENCE  
(PEL) 108**

COOPER/EROMANGA BASINS,  
SOUTH AUSTRALIA

ANNUAL REPORT  
Permit Year 2

April 17, 2004 – April 16, 2005

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## I. Introduction

Australian-Canadian Oil Royalties Ltd. and Ely Sakhai (hereinafter referred to as the "Group", or the "Licensee") were issued PEL 108 (or "the Permit") on April 17, 2003, for a tenure period of five (5) years. PEL 108 is in the Cooper/Eromanga Basins region of the State, located in the northwest corner of South Australia. The tenure period for Year Two (2) of the License is April 17, 2004 to April 16, 2005.

## II. Permit Summary

Interests held in PEL 108 at the time of this report are as follows:

Australian-Canadian Oil Royalties Ltd. (Operator)	50%
Ely Sakhai	50%

Work obligations for the Permit as per the original application are as follows:

### VARIATION OF PETROLEUM EXPLORATION LICENCES PEL 108, PEL 109 & PEL 112

Condition 1 of the licences is omitted and the following substituted:

1. During the term of the licences, the Licensees shall carry out or cause to be carried out exploratory operations on the area comprised in the licences in accordance with such Work Programs as are approved by the Minister from time to time. Years One (1) to Four (4) exploratory operations area guaranteed and Year Five (5) guaranteed in part. These exploratory operations shall include but not necessarily limited to:

<b>Year</b>	<b>Work Program</b>
First Year	Seismic reprocessing; Geological and geophysical review
Second Year	Geological and geophysical review
Third Year	Geological and geophysical studies; Seismic reprocessing; 190km 2D seismic acquisition (Year Three (3) program to be conducted anywhere within the combined area covered by PELs <u>108</u> , 109 and 112)

Fourth Year	2 wells; Geological and geophysical studies (Year Four (4) program to be conducted anywhere within the combined area covered by PELs <u>108</u> , 109 and 112)
Fifth Year	3 wells (1 guaranteed); Geological and geophysical studies (Year Five (5) program to be conducted anywhere within the combined area covered by PELs <u>108</u> , 109 and 112)

### III. Exploration Activity

1. DRILLING. There were no drilling activities on the Permit area during the Second Year.
2. SEISMIC DATA ACQUISITION. No seismic data was acquired on the Permit area during the Second Year.
3. SEISMIC DATA PROCESSING/REPROCESSING. Seismic was processed or reprocessed during the Second Year of the Permit.
4. GEOLOGICAL AND GEOPHYSICAL STUDIES. All seismic lines on the area were acquired and examined to determine optimal location for Year Three 3 seismic data acquisition. Further, selected off-area well completion reports were examined to develop additional geological information over the Permit area.

### IV. Compliance Reporting

#### 1. Regulatory Compliance Report

The Group did not engage in “on area” activities during this reporting period, therefore, a Regulatory Compliance Report will be summarized in this section. No drilling, seismic acquisition, testing, sampling or other “on area” activities were performed.

The Licensee complied with all obligations imposed by the Act, the regulations, and the license, with the following exceptions:

The Licensee did not submit an acceptable Annual Report, as required by Regulation 33, prior to the end of 2 months from the end

of the license year. The Licensee did not satisfy the requirements of Regulation 33.

The Licensee did not conduct any regulated activities during Year Two (2) of the tenure that would require a Statement of Environmental Objectives (SEO). The Licensee will provide an SEO, along with all other required reports and information, within appropriate timeframes, before acquisition of seismic data or any other exploratory activities that will occur on the surface or within a height of less than 500 meters above the ground of the Permit area.

2. Statement to rectify non-compliance

The Licensee has reviewed the Petroleum Act and Regulations and in future will furnish the Annual Report in the prescribed time period and will include the required information as specified in Regulation 33.

3. Summary of Management System Audits

No Management System Audits were undertaken during the second year of the license.

4. List of Reports and Data relevant to operation of the Act

The Licensee completed a review of geologic and seismic data during the Permit year. McGee and Associates prepared a 400-page report of the seismic preparations, which is enclosed with this report.

5. Information regarding any incidents reported to the Minister

There were no reportable incidents during the Permit year.

6. Any reasonably foreseeable threats to future facilities or activities

There are no reasonably foreseeable threats that reasonably present, or may present, a hazard to facilities or activities under the Permit.

7. Statement outlining operations proposed for ensuing year

The Licensee will acquire 35 km additional seismic data over the large structures in the South-central portions of the Permit area. The primary goal of this seismic will be to better establish and define closure over these areas.

## V. Other Reports and Information

No other reports or licenses (transportation of regulated substances, pipeline, production, etc.) were filed with the Petroleum Group during the Second Year of the Permit.

## VI. Expenditures – PEL 108

Expenditures on activities conducted under the Permit for Year Two (2) of the Permit, being April 17, 2004 to April 16, 2005, were as follows:

### STATEMENT OF EXPENDITURE

Commercial in confidence

## VII. Report Summary

During Year Two (2), commencing April 17, 2004 to April 16, 2005, ACOR/Sakhai engaged Terrex Seismic to do a 190 km 2D Seismic Survey. Steve Tobin recommended we hire Andy McGee as the best Geophysicist to lay out the seismic program and reinterpret the existing seismic and native title clearance and supervise the survey. During the Second Year, programs of PELs 108, 109 and 112 were consolidated as shown on the following pages. Andy McGee reinterpreted all existing seismic and added the new lines to be shot for Year Three (3). We also applied to conduct Seismic Program Operations. Enclosed is a report by McGee and Associated Pty. Ltd. covering the Second Year's Work Program. During the Third Year, we will shoot 35 km of 2D Seismic on PEL 108 as shown on the enclosed Maps. The total cost of the seismic survey will be approximately \$203,000.00 (Two hundred three thousand dollars).

Included with this report are seismic sections and maps displaying the top lead locations, which the Group favors. Lines with leads of most importance are included below.

<u>Line #</u>	<u># of leads</u>
83 NRB -	2
82 LMK -	6
83 NRD -	4
82 LML -	7

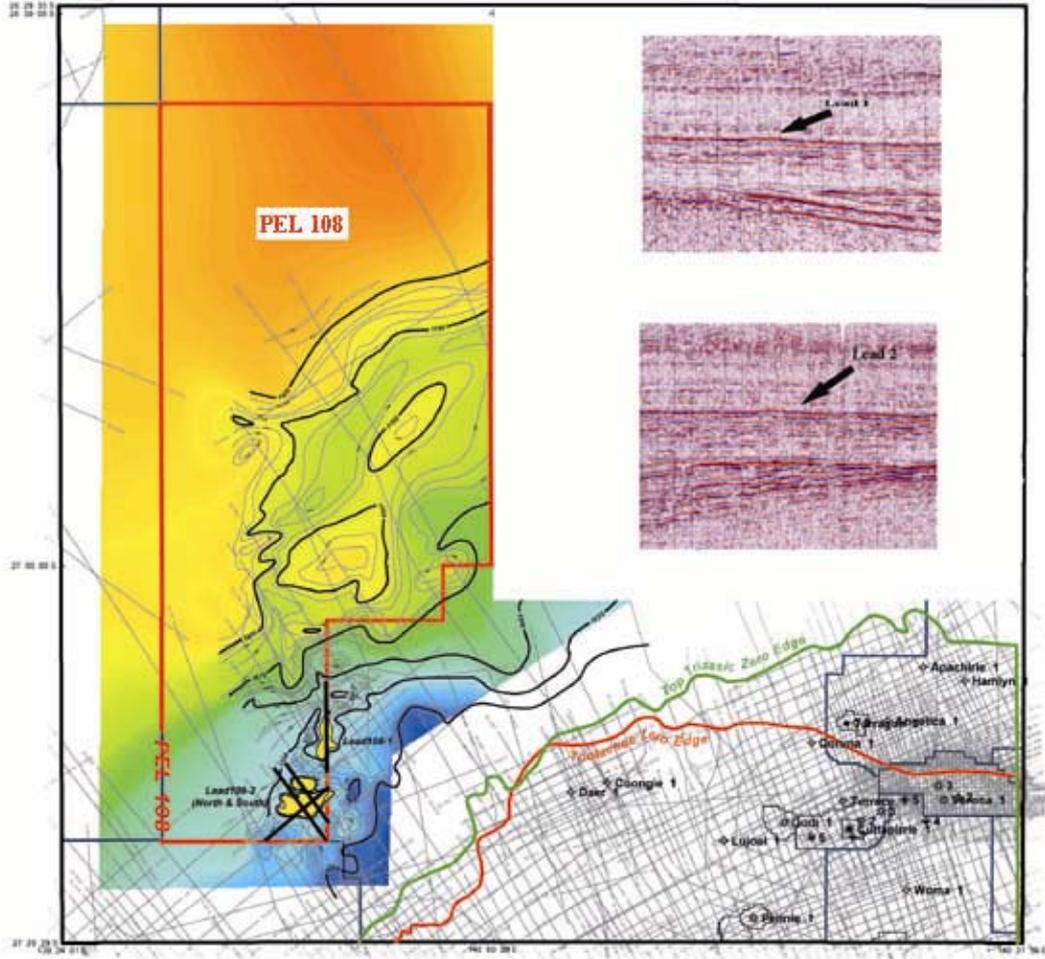
It is important to the Group to utilize all data and information available in order to properly select well locations for the Year Five (5) drilling program. Year Three (3) promises to be an exciting year for the Group, as the new seismic program is completed, and potential prospect(s) are revealed.

We trust this information is satisfactory. If you have any further questions or comments, please do not hesitate to contact our office at the details above. Thank you.

Sincerely,

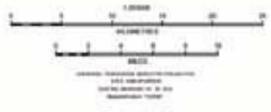
Robert Kamon,  
Secretary, Director and Petroleum Engineer

# SOUTH AUSTRALIA PEL 108



**Legend**

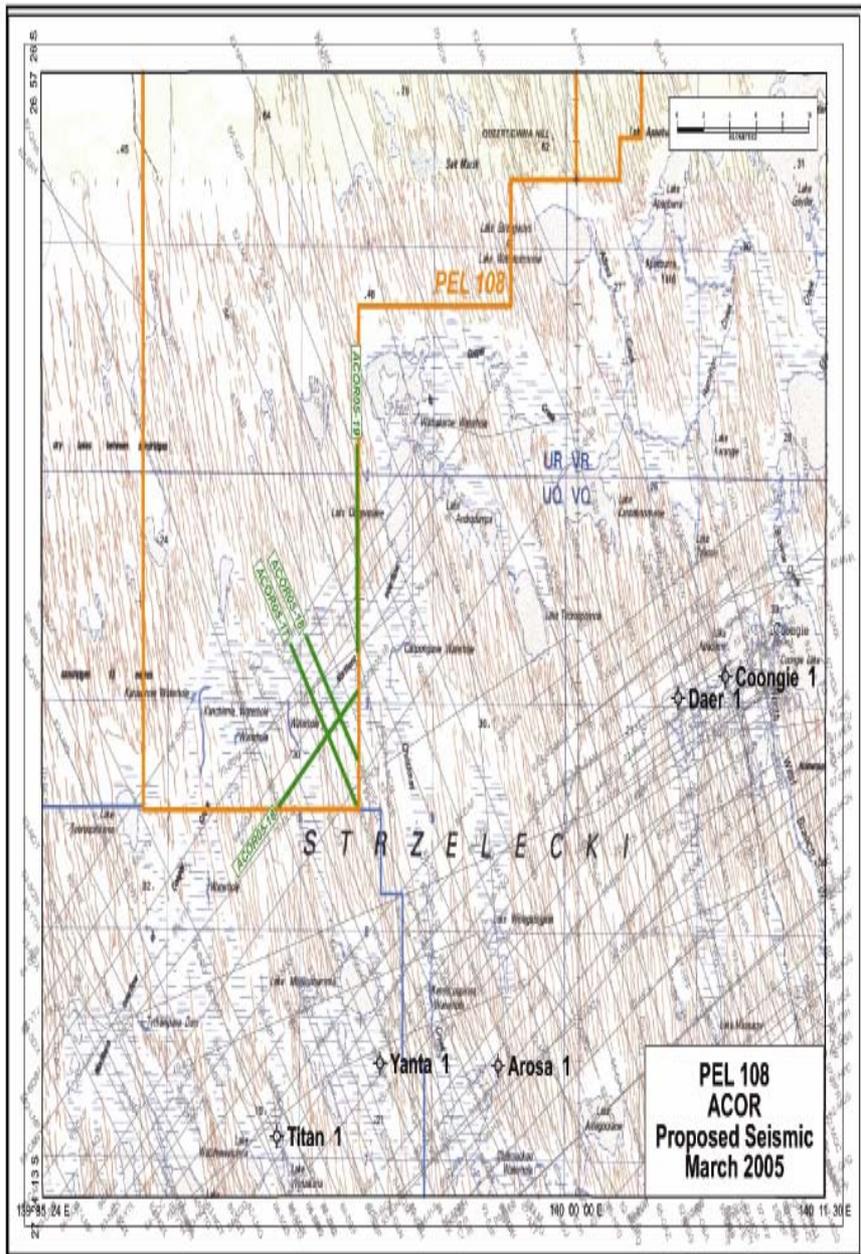
Culture	
PEL 108 & 100 outline	
Permit	
Seismic lines	
All Seismic Lines	
Proposed PEL 108 Seismic	



**ACOR/ SAKHAI**

Cadna-Owie TWT Map  
showing proposed seismic

March 2005





**PRIMARY INDUSTRIES  
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Our ref: 27/2/194  
27/2/195  
27/2/198

Mr Robert Kamon  
Australian-Canadian Oil Royalties Ltd  
PO Box 1629  
CISCO TEXAS 76437  
USA

Dear Robert

**VARIATION OF PETROLEUM EXPLORATION LICENCES - PELS 108, 109  
& 112**

Further to your request dated 10 March 2005, I advise that, pursuant to delegated powers under the *Petroleum Act 2000*, I have varied the work program commitments of PELS 108, 109 and 112 held by Australian-Canadian Oil Royalties Ltd and Ely Sakhal.

The variation provides the flexibility to carry out the work program in any of the three licences.

An original copy of the licence variation is attached for your records, together with a memorandum entering the variation on the public register.

Yours sincerely

**BARRY A. GOLDSTEIN**  
Director Petroleum  
Minerals and Energy Division  
Primary Industries and Resources SA  
Delegate of the Minister for Mineral Resources Development

Date: 17 March 2005

PETROLEUM GROUP  
MINERALS AND ENERGY DIVISION  
LEVEL 7, 101 GRENFELL STREET, ADELAIDE SA 5000  
GPO BOX 1671, ADELAIDE SA 5001  
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Email: [goldstein.barry@primaryindustries.sa.gov.au](mailto:goldstein.barry@primaryindustries.sa.gov.au)

0001462.doc



Government  
of South Australia

**Petroleum Act 2000**

**VARIATION OF  
PETROLEUM EXPLORATION LICENCES  
PEL 108, PEL 109 & PEL 112**

I, BARRY ALAN GOLDSTEIN, Director Petroleum, Minerals and Energy Division, Department of Primary Industries and Resources in the State of South Australia, pursuant to section 25 of the *Petroleum Act 2000* and all other enabling powers, for and on behalf of Paul Holloway, Minister for Mineral Resources Development (Minister), pursuant to delegated powers dated 28 March 2002, Gazetted 11 April 2002, page 1573 vary the conditions of petroleum exploration licences PELs 108, 109 and 112, held by -

**Australian-Canadian Oil Royalties Limited**  
ARBN 090 707 216  
**Mr Ely Sakhai**

Condition 1 of the licences is omitted and the following substituted:

1. During the term of the licences, the Licensees shall carry out or cause to be carried out exploratory operations on the area comprised in the licences in accordance with such work programs as are approved by the Minister from time to time. Years one to four exploratory operations area guaranteed and year five guaranteed in part. These exploratory operations shall include but not necessarily be limited to:-

<b>Year of Term of Licence</b>	<b>Minimum Work Requirements</b>
One	Seismic reprocessing; Geological and geophysical review
Two	Geological and geophysical review
Three	Geological and geophysical studies; Seismic reprocessing; 190km 2D seismic acquisition (year three program to be conducted anywhere within the combined area covered by PELs 108, 109 and 112).
Four	2 wells; Geological and geophysical studies (year four program to be conducted anywhere within the combined area covered by PELs 108, 109 and 112)
Five	3 wells (1 guaranteed); Geological and geophysical studies (year five program to be conducted anywhere within the combined area covered by PELs 108, 109 and 112)

Dated: 17 March 2005



**BARRY A. GOLDSTEIN**  
**Director Petroleum**  
**Minerals and Energy Division**  
**Primary Industries and Resources SA**  
**Delegate of the Minister for Mineral Resources**  
**Development**

**Petroleum Act 2000  
S.115**

**MEMORANDUM**

**PETROLEUM EXPLORATION LICENCES  
PEL 108, PEL 109 & PEL 112**

1. Variation of licence conditions is entered on the public register.



**BARRY A. GOLDSTEIN  
Director Petroleum  
Minerals and Energy Division  
Primary Industries and Resources SA  
Delegate of the Minister for Mineral Resources Development**

Date: 17 March 2005

Ref: 27/2/194  
27/2/195  
27/2/198