

PEL 87

Onshore Cooper/Eromagna Basins

South Australia

Permit Year 1 (Term 1)

Annual Report

For the Period

8 January 2002 to 8 January 2003

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1 Introduction

Petroleum Exploration License No. 87 ("PEL 87") is located in the onshore portion of the Cooper and Enomanga Basins, South Australia. This report covers the work performed by Australian Crude Oil Company Incorporated, Operator of PEL 87 *in accordance with requirements of Section 33 of the Petroleum Regulations 2000*. The period 8 January 2002 to 8 January 2003, being the first year of the initial permit term.

2 Administration

The working interests in the permit are as follows:

Australian Crude Oil Company Incorporated 100% (Operator)

The minimum work commitment for permit year 1 (term 1) is to "Begin interpretation of existing seismic data and reprocess certain lines. Review geologic and regional well data." The work program was exceeded by work undertaken during permit year 1 and the permit is in good standing.

3 Regulated Activities

Section 33.(2) (a) a summary of the regulated activities conducted under the license during the year:

3.1 Drilling

No drilling activities undertaken during permit year 1.

3.2 Seismic Data Acquisition

No seismic acquisition activities were undertaken during permit year 1.

3.3 Seismic Data Processing/Reprocessing

In the first year seismic data re-processing has been restricted to Landmark Graphics workstation based (PostStack) signal enhancement/noise canceling processing of the Spatial or FX Deconvolution type and Tau-P or Slantstack type. These procedures are conducted by the interpreter and stored on

the workstation and no external files or tapes have been generated.

3.4 Geological and Geophysical Studies

G & G studies for the permit year include:

- Research and Retrieve (R&R) Historical Area G&G Literature, Electronic and Printed
- R&R Extensive Government Oil and Gas Research Results covering the Cooper and Eromanga Basins
- R&R Area Pertinent Well Completion Reports, (Wildcat and Producing Wells) Electronic and Printed
- R&R Area Pertinent 2D Seismic Lines (>2000 lines) and loaded portions onto Landmark Workstation (600 +)
- R&R Area Pertinent Well Log Data (750) and loaded portions onto workstation.
- Detail interpretation of 2D seismic data across Australia Crude Oil Acreage at multiple levels. Reconnaissance interpretation of the northwest half of the South Australia portion of the Cooper and Eromanga basins, over exploration and production licenses and open blocks.

4 Compliance Issues

4.1 Regulatory Compliance

Section 33.(2) (b) a report for the year on compliance with the Act, these regulations, the license and any relevant statement of environmental objectives.

Australia Crude Oil Company Incorporated as Operator for the PEL 87 area, has complied with all relevant conditions under the *Petroleum Act 2000*, and the *Petroleum Regulations 2000*.

No environmental incidents were reported during the permit year.

4.2 Rectification of Non-Compliance

Section 33.(2) (c) a statement concerning any action to rectify non-compliance with obligations imposed by the Act, these regulations or the license, and to minimize the likelihood of the recurrence of any such non-compliance.

No known issues of non-compliance exist.

4.3 Management System Audits

Section 33.(2) (d) a summary of any management system audits undertaken during the relevant license 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 conducted.

4.4 Data Submissions

Section 33.(3). (e) a list of all reports and data relevant to the operation of the Act generated by the licensee during the relevant license year.

- Annual Report (this report)

4.5 Safety

Section 33.(2) f in relation to any incidents reported to the Minister under the Act and these regulations during the relevant licensing year-

Section 33.(2) f (i) an overall assessment and analysis of the incidents, including the identification and analysis of any trends that have emerged.

Section 33.(2) f (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 license, or to minimize the risk of recurrence of any such non-compliance.

No reportable incidents occurred during the reporting period.

4.6 Threat Prevention

Section 33.(2) (g) a report on any reasonably foreseeable threats (other than threats previously reported on) that reasonably present, or may present, a hazard to facilities or activities under the license, and a report on any corrective action that has, or will be, taken.

There were no perceived threats, and no action taken.

4.7 License Conditions and Future Work Program

Section 33.(2) (h) unless the relevant license year is the last year in which the license is to remain in force a statement outlining operations proposed for the ensuing year.

The minimum work commitment for permit year 1 (term 1) is to "Begin interpretation of existing seismic data and reprocess certain lines. "Review geologic and regional well data." The work program was exceeded by work undertaken during permit year 1 and the permit is in good standing.

Geological and geophysical studies are planned for permit year 2 and seismic data will be re-processed per the work requirements.

5 Expenditure Statement

Section 33.(3) An annual report must be accompanied by a statement of expenditure on regulated activities conducted under the license for the relevant license year.

Commercial in confidence