



Exploration Permit

VIC/P42

Quarterly Report

14 February 2002 – 13 May 2002

Bass Strait Oil Company Ltd

CONFIDENTIAL

This document is the property of Bass Strait Oil Company Ltd, and the copyright therein is vested in Bass Strait Oil Company Ltd. All rights reserved. Neither the whole nor any part of this document may be disclosed to others or reproduced, stored in a retrieval system, or transmitted in any form by any means (electronic, mechanical, reprographic recording or otherwise) without prior written consent of the copyright owner.

TABLE OF CONTENTS

1.	PARTICIPATING INTERESTS.....	1
2.	GOVERNMENT RELATED MATTERS	1
3.	EXPLORATION ACTIVITIES	2
3.1	EXPLORATION WELL MELVILLE-1	2
3.2	SEISMIC REPROCESSING.....	2
3.3	SEISMIC ACQUISITION & PROCESSING.....	4
3.4	SEISMIC INTERPRETATION AND EVALUATION	5
3.4.1	<i>Depth Conversion – Zane Grey</i>	5
3.4.2	<i>Seismic Interpretation – East Omeo and Hemingway</i>	5
3.5	DATA TRADES	6
4.	REPORTS SUBMITTED	6
5.	HEALTH, SAFETY AND ENVIRONMENT	6
5.1	INCIDENTS	6
5.2	ENVIRONMENTAL APPROVALS.....	6
6.	ESTIMATED EXPENDITURE FOR THE QUARTER.....	6

VIC/P42

QUARTERLY REPORT FOR THE PERIOD

14 FEBRUARY 2002 to 13 MAY 2002

1. PARTICIPATING INTERESTS

Bass Strait Oil Company Ltd	50% (Operator, Joint Venture Partner)
Inpex Alpha Ltd	50% (Joint Venture Partner)

2. GOVERNMENT RELATED MATTERS

The application to shoot a 3D seismic survey in Vic/P42 was resubmitted to the Victorian DNRE in March. The last outstanding document was the Contract Plan from Western Geco, which was submitted at the end of the March. Having received all the requested documentation, on 4th April 2002 the DNRE granted formal approval to conduct this survey.

It was learnt that the Western Geco Beta will not become available to shoot in Vic/P42 (after the completion of the Esso Australia 3D survey) in time for our acquisition to be completed before the work programme deadline of 13th May 2002. Accordingly, on 15th March 2002 a letter was sent to the DNRE seeking an extension of three months to the end of the second permit year to 13th August 2002, and also that this date be the logical anniversary date for future permit years. This request was necessary due to the extreme delay of the Esso Australia acquisition. We submitted that the situation was one of 'force majeure'. The permit was suspended and extended, so that all years have a common anniversary date of 13th August. Year II now ends on 13th August 2002.

In accordance with subsection 93(1) of the Environment Protection and Biodiversity Act 1999, an advertisement was placed in the newspaper, *The Age*, on 24th February 2002 inviting public submissions on our Cetacean Permit Application. The application documents were made available for public viewing for 10 days at the State Library of Victoria and the DNRE Resource Centre in East Melbourne. We have therefore completed a notice period under section 93 of the Environment Protection and Biodiversity Conservation Act 1999 to publish preliminary information and obtain public comment on our proposed seismic survey and cetacean permit application. A single public submission was received from the Whale and Dolphin Conservation Society on 5th March 2002.

Further to the public submissions and discussions with Environment Australia, it is our intention to add the following to the cetacean permit application:

1. *It is our intention to use independent, trained and dedicated cetacean observers throughout the seismic survey.*
2. *A full and detailed report on the implementation of the 'Guidelines on the Application of the Environment Protection and Biodiversity Conservation Act to interactions between offshore seismic operations and larger cetaceans' will be provided to Environment Australia within 60 days of the completion of our seismic survey.*

To this end, it was agreed that NSR Environmental Consultants Pty. Ltd. would provide independent cetacean observers and they were instructed that their services were required. They are the group providing observers for the Esso Australia and BHP Billiton Petroleum surveys.

3. EXPLORATION ACTIVITIES

3.1 Exploration well Melville-1

Vitrinite reflectance determinations were received from Keiraville Konsultants (Dr Alan Cook) in Sydney. Two cuttings and four sidewall samples were evaluated from the Latrobe Siliciclastics, Golden Beach and Emperor subgroups. The upper two samples (Lakes Entrance and Latrobe Siliciclastics formations) tend to have a low content of organic matter but they contained sufficient vitrinite to show that these units are immature. The four sidewall samples (Latrobe Siliciclastics, Golden Beach and Emperor subgroups) are from units that typically contain abundant organic matter but the horizons sampled have low organic matter contents relative to those normally found. The silty and sandy units also contain reworked wood and peat fragments. The reworking can result in higher than average vitrinite reflectance values, but the process of reworking is also associated with the selective loss of some types of tissues and the selective preservation of tissues transitional to liptinite macerals resulting in below average vitrinite reflectance values.

Significantly, Dr Cook concluded that the data indicate that the section from 2800 m down is oil mature.

3.2 Seismic Reprocessing

The stacking velocities for test lines GA84-01 and GA81-23 were radically changed, for the sequence deeper than the Latrobe Siliciclastics. The new velocities significantly improved the definition of deeper target events. The final processing sequence is now agreed to be;

1. Reformat from SEG-Y demultiplex to promax system.
2. Resample to 4ms
3. Geometry preparation.
4. Trace and Record editing.
5. Static correction.
6. AGC 500ms
7. FK Filter, using Fan Filter. Reject zone, velocity (1500m/s) frequency (5,80).
8. Remove AGC.
9. True amplitude recovery 5 dB/sec from 0 - 4 sec.
10. Ensemble decon filter operator 300 msec, gap 20 msec.
11. Interactive velocity analysis every 2km (inner mute applied).
12. Normal moveout correction.
13. Common offset FK DMO.
14. Inverse Normal moveout correction.
15. Interactive velocity analysis every 1km (inner mute applied).
16. Normal moveout correction.
17. Outer Mute

Offset (m)	Time (msec)
245	0
345	85
645	540
2620	1800
- Inner Mute

Offset (m)	Time (msec)
245	1800
395	2000
445	5000
18. Common depth point stack
19. FD Migration. Max frequency 100 HZ, max dip to migrate 50 degrees.
20. Time variant filter

Time (msec)	Filter (Hz)
0 - 1500	10-20-80-100
1500 - 3000	8-15-60-80
3000 - 5000	3- 7-40-60

3.3 Seismic Acquisition & Processing

The final access authority to shoot through Esso Australia production licences, during the Vic/P42 3D seismic survey has been received.

Negotiations were initiated with EDR Hydrosearch for the provision of Acquisition QC services for the 3D survey. They were informed at the end of March that they were to be awarded the services subject to conclusion of a contract, and an agreement was subsequently executed by the end of the quarter.

A proposal was received from Western Geco for the provision of seismic processing services for the forthcoming 3D acquisition. The proposal is under review, prior to making a recommendation to JV partners and issuing an AFE. The proposal includes options for pre-stack depth, pre-stack time and post-stack time migration.

The proposed layout for the Vic/P42 survey was submitted to partners on 3rd May 2002. The location map for the full-fold seismic coverage is shown on Figure 1. The proposed survey will be discussed with Western Geco and the exact corner points may vary slightly to full swath widths. Acquisition coverage will be greater than this in the in-line direction in order to give full-fold coverage.

The objective of the 2002 3D seismic survey acquisition campaign in Vic/42 is twofold;

- To fulfil the work programme obligation of 250km sq 3D acquisition
- To define a drilling target for the year three well

The survey layout proposed is designed to cover the prospective north-east graticule, including ZaneGrey, and the central eastern areas of Vic/P42 of the Hemingway amplitude anomalies and its updip closure limits. A north north-east oriented tapered oblong outline is proposed which has a long line length of approximately 32 km (maximum 34.4km, minimum 20.8km), which, being nearly orthogonal to shipping lanes is considered operationally cost-effective. Whilst these will be dip oriented inlines, the need to shoot dip lines has not been a key criteria. The proposed survey areal coverage is 423 km².

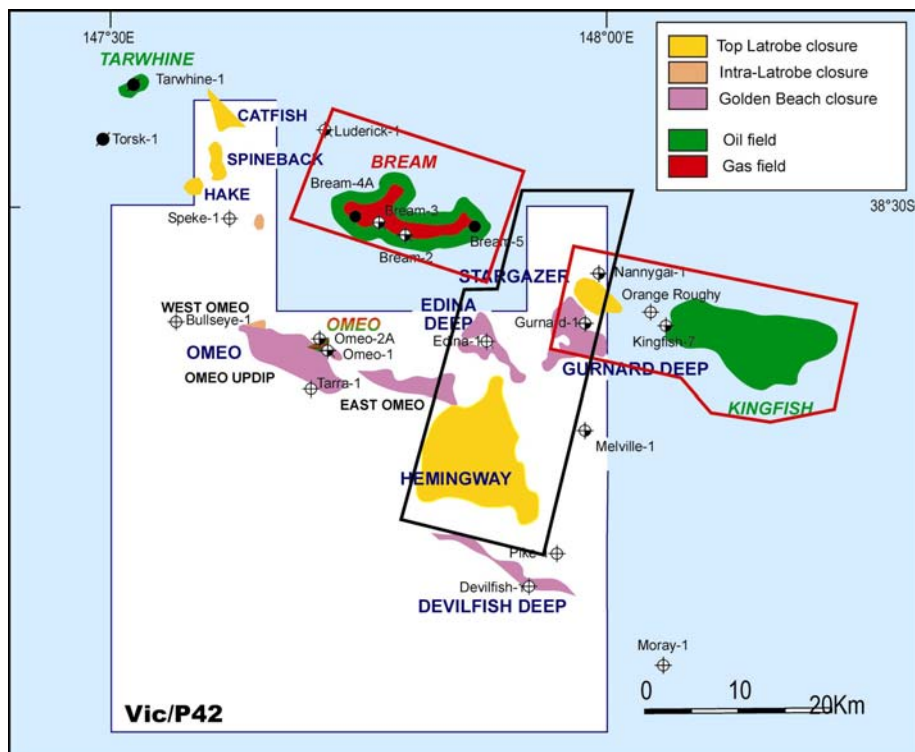


Figure 1. Vic/P42 Proposed 3D Survey outline (solid black line)

3.4 Seismic Interpretation and evaluation

3.4.1 Depth Conversion – Zane Grey

In March, the Kingfish 3D was loaded onto the BSOC workstation and seismic interpretation initiated.

By the end of the quarter, Pradeep Jeganathan from Leading Edge Geophysics P/L completed the VIC/P42 Zane Grey Velocity-Depth Modeling/Depth Conversion Project. The technical objective was to provide a quick yet robust product to enable Bass Strait Oil Company Ltd to attempt to quantify the depth conversion uncertainties in the Zane Grey study area. The velocity-depth modeling workflows were carried out using all available 2D and 3D seismic stacking velocities, well data and TWT horizon data. The instantaneous velocity profiles were examined from all existing well data for the following wells in the vicinity of Zane Grey:

- Edina-1
- Gurnard-1
- Kingfish-1
- Kingfish-2
- Kingfish-3
- Kingfish-4
- Kingfish-5
- Kingfish-6
- Kingfish-7
- Kingfish-8
- Kingfish-9
- Nannygai-1
- Orange Roughy-1

The TWT horizon data was interpreted by Ian Reid from BSOC using a mix of 2D and 3D seismic data sets.

Analysis of results showed that no adequate depth conversion is currently available for the area of the NE graticule of Vic/P42, due to the lack of adequate data coverage, the existence of strong lateral velocity variations in the overburden (channels) and the lack of any pre-stack migrated seismic data.

3D seismic acquisition over ZaneGrey to augment the existing Kingfish 3D data set will, it is believed, lead to a best possible seismic data set over ZaneGrey and the updip potential to Nannygai-1. Additionally, given the eastwards directed truncation of Latrobe Group reservoir / seal pairs and the uncertainties in the depth conversion, there may be significant potential in the remaining area of the NE graticule. 3D coverage in the forthcoming Vic/P42 survey has been planned to cover the entire area.

3.4.2 Seismic Interpretation – East Omeo and Hemingway

The Omeo East and Hemingway areas have been revised with the ASB reprocessing to refine the proposed 3D survey location. Omeo East has been remapped at the top Golden Beach and Maastrichtian levels. A minor down thrown East Omeo closure is remapped outside of the proposed 3D area at both Maastrichtian and Golden Beach levels. However, the feature is significantly segmented and a complex structural picture has resulted from the reinterpretation. It is suggested that the Omeo leads would be part of a future 3D survey covering all of the Omeo leads from West Omeo through Omeo Updip and Omeo-1 gas discovery and these Omeo East leads, in a survey oriented in a northwest - southeast direction.

At Hemingway, the interpretation of the top 'Coarse Clastics' and the top "M diversus" seismic events has been revised on the ASB reprocessed 2D data to produce an improved isopach of the upper Latrobe sequence. This isopach, the amplitude anomaly and the previously

mapped extent of Hemingway were used to define the updip limit of the prospect for locating the 3D coverage in this southeast corner.

3.5 Data Trades

The data trade agreement with Esso Australia was finalized and the basic data traded on 5th March 2002. The Exabyte tapes were copied and sent to Inpex on 22nd March 2002. TIMAP 2D seismic data is being dispatched from Esso Australia to Veritas DGC in Perth. A single batch of 17 lines was converted and the SEG Y data sent to Inpex and Esso Australia.

4. REPORTS SUBMITTED

Other than the previous Quarterly Report, no reports were submitted during this report period.

5. HEALTH, SAFETY AND ENVIRONMENT

5.1 Incidents

There were no health, safety or environmental incidents recorded during the report period.

5.2 Environmental Approvals

A Cetacean permit was granted to Bass Strait Oil Company Ltd on 26 April 2002, subject to a number of conditions. The permit (number E2002-0001) allows interference with cetaceans during seismic activities over Vic/P42. The permit is valid between 26 April 2002 and 30 June 2002. Special conditions attached to the permit require the use of independent trained and dedicated cetacean observers and the production of a full and detailed report on the implementation of the "Guidelines on the Application of the Environment Protection and Biodiversity Conservation Act to interactions between offshore seismic operations and larger cetaceans".

6. ESTIMATED EXPENDITURE FOR THE QUARTER

Estimated expenditure for the reporting period is detailed below:

Activity	Expenditure (\$000's)
Drilling (Melville-1)	4,105
Permit Administration	260
Geological & Geophysical	363
Seismic (Acquisition)	285
Total	5,013