



Exploration Permit

VIC/P47

Quarterly Report

28 November 2003 – 27 February 2004

Bass Strait Oil Company Ltd

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QUARTERLY (AS ADJUSTED) REPORT FOR THE PERIOD

28 NOVEMBER 2003 to 27 FEBRUARY 2004

1. PARTICIPATING INTERESTS

Bass Strait Oil Company Ltd	40% (Operator, Joint Venture Partner)
Moby Oil & Gas Ltd	35% (Joint Venture Partner)
Eagle Bay Resources NL	25% (Joint Venture Partner)

2. TITLE AND GOVERNMENT RELATED MATTERS

GM, Exploration, Ian Reid represented BSOC at the inaugural meeting of the APPEA/ Victorian Petroleum Exploration And Development Reference Group with the Victorian DPI and other offshore operators on 21st November. The agenda was as follows:

1. Moonlight Heads Seismic non-approval- advice from Minister's office, further comments and questions from industry.
2. SERMP/IOM/MPA's
 - a. Update from Murray Canyon MPA workshop- issues for Adjacent Area Victoria (Led by MP)- followed by discussion.
 - b. Victorian industry issues with SERMP, IOM and MPA processes
3. Otway Fisheries Research proposal- status and information item
4. Compensation- Principles- status of APPEA process
5. EPBC Administrative Guidelines
6. Any other issues.

The meeting was well attended with representatives from nearly all offshore Victorian operators present. A lively discussion ensued with particular emphasis on industry concerns on access for seismic survey work following the non-approval of the Moonlight Heads Survey proposed by Benaris in Vic/P38 (V) by the Minister administering the *National Parks Act* (1975). The survey proposal received considerable media attention, including a story by Victoria's Stateline programme (ABC), as well as press releases. BSOC and Santos attendees expressed concern about these recent developments especially in the light of the potential Marine Protected Areas to cover most of the offshore Gippsland Basin. BSOC was asked to attend a second meeting of the APPEA/Victorian Petroleum Exploration And Development Reference Group on 27th February 2004 but this was subsequently rescheduled to March.

On 3rd December 2003 BSOC submitted the second monthly letter to the DPI reporting on developments regarding rig availability to drill the Year 2 commitment well.

At end November, the Ocean Epoch was employed in the drilling of the Megamouth-1 well in the Gippsland Basin for BHP Billiton.

On 17th December 2003 BSOC submitted the third monthly letter to the DPI reporting on developments regarding rig availability to drill the Year 2 commitment well. In summary, the outlook was for the Ocean Bounty to be available ex New Zealand by possibly August 2004 and for the Enasco 102 to possibly be available late 2004 depending on Esso's scheduling at that time.

On 17th December 2003, a letter requesting a 12 month suspension of Vic/P47 Year 2 and extension of the permit was also submitted to the DPI. This was requested on the basis that there were no drilling rigs in the area, or planned to be in the area, and that there was no potential to complete the Year 2 well before the 27th February 2004 anniversary.

A meeting was held with representatives of the Victorian DPI on 4th February to present technical data supporting the request for suspension and extension. BSOC discussed the Vic/P47 prospects and proposed drilling target, and gave an update on drilling rig availability and contracts. It was also an opportunity to meet Phil Roberts, new Director - Minerals and Petroleum Regulation, who attended.

At quarter's end, BSOC was yet to hear from the Joint Authority regarding the request for suspension and extension.

The Gilbert Area Farmin and Co-ordination Agreement was submitted to Lakes Oil for review in late October. No comment had been received at quarter's end.

3. EXPLORATION ACTIVITIES

3.1 Seismic Interpretation and evaluation

BSOC met with DPI geoscientists on 3rd December to discuss the potential for economic reservoirs in Judith Formation sandstones of the Emperor Subgroup. This was initiated by announcements by Nexus that economic flow rates could be achieved from the Longtom-1 gas accumulation in nearby Vic/P54. It is most likely that gas was encountered in Judith-1 in 'Judith Formation' sandstone reservoirs, based on evaluation of log and seismic data by BSOC. The Judith Formation sandstones, Dr Tom Bernecker believes, are equivalent to intra-Kipper Formation sandstones similar to those encountered in well Sunfish-1. This intra-Kipper Shale play involves the tectonic juxtaposition of fluvial sandstone lenses against thick lacustrine shales. Such a scenario is developed in Sunfish-1 and is likely to exist along the faulted margins of the Central Deep. In Judith-1 the accumulation appears to be structurally controlled. Reservoirs could also be developed below the Kipper Shale in either the Admiral Formation or Kersop Arkose. However, because these units contain the most immature sediments, much of the primary pore space may be occluded by clay formed during feldspar weathering.

The Sunfish-1 core photographs through these intra-Kipper Formation sandstones were examined, but exhibited little reservoir potential. At this stage this play is considered to be unlikely to succeed due to very poor reservoir characteristics. Permeability measurements in Judith-1 indicated, with the exception of the two shallowest pre-tests and one sand at 2535.5m brt, values are between 0.05 and 1.6mD which would be unlikely to flow at economic rates. BSOC will monitor the activities of Nexus and a suggested re-drill of Longtom-1. Any economic flow-rates encountered there would high-grade the play in Vic/P47 at Judith-1.

3.2 Well Planning

BSOC continued to maintain close contact with operators and rig contractors regarding the developing outlook for rig availability in the Bass Strait area.

In November 2003 Labrador Petro-Management submitted an invoice for work done on drilling planning, preparation and documentation. This includes work for the Vic/P47 Year 2 well. A set of draft documents was received in November by BSOC, including the basis for design for a notional Moby-1 well and all necessary documents for submission to the DPI in relation to granting of drilling approval. A preliminary AFE for the Moby-1 well had been developed on the basis of drilling with the Ocean Epoch. However, until a final rig agreement is made and a MODU contracted no further

preparations are planned and submissions to the DPI with respect to drilling approvals will be deferred.

Significant costs, both internal and external, were incurred by BSOC in preparing for the potential of drilling Moby-1 with the Ocean Epoch. These costs were subject to the Farmin Agreement executed by BSOC and Eagle Bay on 13th June 2003.

On 10th February 2004, BSOC received a proposal from Diamond Offshore for the use of the Ocean Bounty for two wells in the Gippsland Basin, in the third or fourth quarter 2004.

However, on 6th February OMV had contracted with Diamond Offshore for two wells in the Timor Sea plus one option, with the rig to be accepted in Darwin. Diamond's New Zealand contract requires the rig to be demobilised from New Zealand back to Darwin (planned route is via the Australian east coast and Torres Strait) at the cost of the New Zealand operators. Therefore, Diamond's proposal for BSOC to utilise the rig during its demobilisation from New Zealand to Darwin was conditional upon acceptance by OMV of the additional time that it would take to divert to the Gippsland and drill.

On 11th February 2004 OMV indicated that it would require Diamond to make the rig available in Darwin at the earliest opportunity. This meant that it was highly unlikely that the Ocean Bounty would be available in the Gippsland this year. BSOC informed the DPI so that it would have full knowledge of the situation for its consideration of the Vic/P47 suspension and extension request.

BSOC queried the situation with Diamond, but had not received a reply at quarter's end and the proposal expired on 20th February 2004.

4. REPORTS SUBMITTED

On 3rd December 2003 and 17th December 2003 BSOC submitted letters to the DPI, reporting on developments regarding rig availability to drill the Year 2 commitment well. These were the second and third, respectively, of the regular monthly reports as required under the terms of the suspension and extension granted on 19th September 2003.

At the presentation of 4th February, the technical evaluation work undertaken by BSOC on Vic/P47, including montages and reports, was presented to the DPI on CD ROM.

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

There were no environmental issues submitted for approval during the report period by BSOC.

6. ESTIMATED EXPENDITURE FOR THE QUARTER

Estimated expenditure for the reporting period is detailed below:

Activity	Expenditure (\$000's)
Permit Administration	75
Geological & Geophysical	60
Well Preparation	95
Total	230