



Exploration Permit

VIC/P47

Quarterly Report

28 August 2003 – 27 November 2003

Bass Strait Oil Company Ltd

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QUARTERLY (AS ADJUSTED) REPORT FOR THE PERIOD

28 AUGUST 2003 to 27 NOVEMBER 2003

1. PARTICIPATING INTERESTS

Bass Strait Oil Company Ltd	75% (Operator, Joint Venture Partner)
Eagle Bay Resources NL	25% (Joint Venture Partner)

2. TITLE AND GOVERNMENT RELATED MATTERS

On 19th September 2003 the Designated Authority granted a 3 month suspension and extension such that the permit anniversary for Year 2 becomes 27th February 2004 and all subsequent Years are adjusted accordingly. The Operator had sought a six month extension, based on postulated rig availability in the second quarter of 2004. As a condition of this variation, the Operator is required to report monthly on progress towards securing a drilling rig.

A request to vary the Year 3 work commitment by substituting 3D seismic for a well was not granted.

On 21st October 2003 BSOC submitted a letter to the DPI reporting on developments regarding rig availability to drill the Year 2 commitment well. This was the first of the regular monthly reports as required under the terms of the suspension and extension. The letter reported that the Ocean Epoch rig was not available to the Vic/P47 JV and detailed the background to that outcome.

On 31st October 2003 BSOC executed a farmin agreement with Moby Oil and Gas Ltd. Moby is a new company intending to list on the ASX. It will earn a 35% interest in Vic/P47 from BSOC's 75% by contributing the first \$3.75 million of the Moby-1 well.

The Gilbert Area Farmin and Co-ordination Agreement, which details the basis of a farmin to a subset of the Vic/P47 area, was submitted to Lakes Oil for comment in late October.

3. EXPLORATION ACTIVITIES

3.1 Seismic Interpretation and evaluation

The DPI advised on 24th November that OMV had lodged additional seismic processed data from the GC00A Baleen 3D survey including AVO attributes & acoustic and elastic inversion products, near – mid – far offset stacks, and 3D stratigraphic inversion data. Information on the data and their provision were requested at quarter's end with a view to loading and interpreting in-house. The DPI had been requested to provide the data in August, although it was understood that it was not yet available from OMV. It is believed the data may provide improvement in:

- Determining the nature of the Moby amplitude anomaly i.e. low versus high gas saturation and reservoir quality
- To improve seismic resolution of the objective section and perhaps allow seismic mapping of the separate Gurnard and Barracouta formations and their thickness.

Well log data for Flathead-1 was purchased from Wiltshire Geological Services Pty. Ltd. and loaded onto the workstation. Basic well log evaluation continued for the wells Flathead-1, Whale-1, Baleen-1 and Patricia-1 ostensibly to better understand the pinch-out of Gurnard Formation reservoirs towards the crest of Moby and the potential for seat seals at the base of the Gurnard Formation separating any accumulations from the Barracouta Formation.

Dr. Alan Partridge of Biostrata Pty Ltd was invited to the BSOC offices to discuss the stratigraphy of the Gurnard Formation at the Moby location and improve the understanding of the reservoir units and nature of the seat seal between gas and oil shows in Flathead-1 and Whale-1. He was also contracted to provide a biozonal correlation of the Latrobe Group stratigraphy between Patricia-1 – Whale-1 and Sweep-1, covering the Moby Structure. This was completed and is included, schematically, as figure 1.

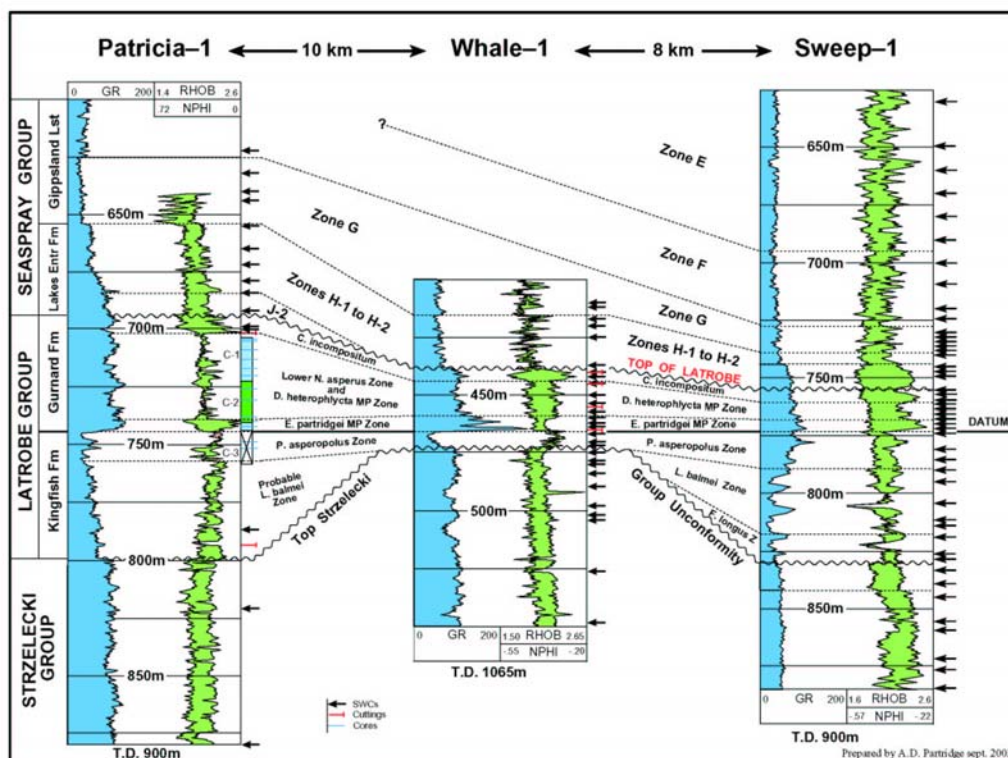


Figure 1. Biozonal correlation from Patricia-1 – Whale-1 – Sweep-1

3.2 Well Planning

During the quarter BSOC negotiated to secure a rig for the Vic/P47 Year 2 well. On 18th September 2003 BSOC submitted a conditional letter of intent to Diamond Offshore to contract the Ocean Epoch drilling rig for two wells, including a Vic/P47 well. On 2nd October 2003 Diamond responded that the validity of its proposal had been extended to 31st October 2003, but that this was subject to a priority option for Santos to utilize the rig for its forthcoming Mutineer Exeter programme.

On 21st October 2003 BSOC submitted a letter to the DPI reporting on developments regarding rig availability to drill the Year 2 commitment well. This was the first of the regular monthly reports as required under the terms of the suspension and extension granted on 19th September 2003. The

letter reported that the Ocean Epoch rig was not available to the Vic/P47 JV and detailed the background to that outcome:

...BSOC received a proposal from Diamond Offshore for the use of the Ocean Epoch semi-submersible rig dated 22nd August 2003. This proposal envisaged a multi-well programme with operators sharing mobilisation / demobilisation costs on a pro rata basis based on the number of days drilling. It also canvassed the possibility that the rig could subsequently be utilised in New Zealand and that in this event no demobilisation charges would apply. The Diamond proposal did not indicate that the availability of the rig was subject to a priority option on behalf of Santos.

BSOC responded to this proposal on 18 September 2003 by submitting a letter of intent to Diamond Offshore for the use of the Ocean Epoch for a two well programme including one well in Vic/P47.

On 2 October 2003 Diamond responded to BSOC's letter of intent with a fax that extended the validity of the original proposal until Friday 31 October 2003. This fax, however, also made clear for the first time that Santos had an option to return the Ocean Epoch to the North West shelf for the Mutineer-Exeter project and that any availability of the rig was subject to Santos's exercise of this option at any time.

Follow-up communication with both Diamond and Santos confirmed that the potential availability of the Ocean Epoch to BSOC was entirely in Santos's hands and that no decision had been made.

On 14 October 2003 Santos announced formal approval of the Mutineer-Exeter development. Casino-3 was spudded on the same day. We understand that Santos has committed to utilise the Ocean Epoch for Mutineer-Exeter and that the rig is required to be on-site for that project not later than 15 February 2004.

Based on a phone conversation with Santos, also on 14 October 2003, we further understand that Santos has agreed with BHPBilliton to drill a well in Vic/P45 followed by the rig being moved back to the Otway Basin for Santos to drill its second well in that area before de-mobilising the rig back to the Mutineer-Exeter project. BHPBilliton reportedly will pay 50% of the demobilisation costs or approximately A\$2.75 million.

Santos indicated that Ocean Epoch scheduling was such that there was little opportunity for further wells beyond the two Santos wells and one BHPBilliton well planned due to the priority in getting the rig back to Mutineer-Exeter. A two well programme would not be possible. One short duration well such as Moby-1 could possibly be accommodated after the BHPBilliton Vic/P45 well, but this would be dependent on the progress of the other wells.

With the total wells in the area reduced, and with no opportunity for a two well BSOC programme, costs would be significantly increased. BSOC discussed with Santos whether it would consider drilling the second Otway well (Hill-1) prior to moving the rig to the Gippsland. This would ease constraints due to the short time frame, but this sequence of drilling was ruled out.

In the event the rig was to be available, Santos would require BSOC to contribute 50% of the de-mobilisation costs back to the Northwest Shelf, a fee which is estimated to be approximately A\$2 million.

BSOC believes that, assuming typical operational delays to the drilling schedule, together with the high priority Santos is placing on Mutineer-Exeter project, there is a strong possibility that the Ocean Epoch would not ultimately be available for the Vic/P47 well.

On the basis that availability is uncertain, timing, if available at all, is also uncertain, that costs generally have increased and that, in BSOC's opinion, a A\$2 million de-mobilisation

fee is not reasonable for an 8.5 day well with a drilling cost of A\$3 million, BSOC is now looking for alternative rigs to the Ocean Epoch for the drilling of the Vic/P47 Year 2 well.

Currently, alternative drilling rig possibilities for Bass Strait work include:

- The Ensco 102 jackup rig which is contracted to Origin for the Yolla project starting March 2004. Esso has committed to take any available Bass Strait slots prior to the Yolla work and also will retain the rig after this project. Therefore availability of this rig to BSOC is unlikely before late 2004.*
- The Ocean Bounty has been committed to work in New Zealand after it is finished for Inpex in the Browse Basin. Timing is still subject to many factors but the rig could be in New Zealand by April 2004. This would potentially make it available in the Bass Strait area late 2004...*

In parallel with these rig negotiations BSOC pursued operational readiness and these activities were scheduled to put BSOC in a position to drill two wells starting as early as late November after Casino-3. Application for Approval to Drill and associated approvals had been scheduled to be ready for submission to the DPI by late October 2003, subject to rig availability.

Labrador Petro-Management Pty Ltd (LPM) staff, working together with BSOC, have prepared a 'basis for design' for a well to target the Moby Prospect (Moby-A). A draft AFE has been prepared, on the basis that the Ocean Epoch will be available. Given that drilling will now be delayed, it is planned to finalise, to the extent possible, all preparation and documentation now in progress, so that this work will be in the best possible form to utilize for the eventual drilling project. A set of documents as currently drafted has been received by BSOC.

After considering insurance services proposals from both Willis and Marsh, BSOC appointed Marsh as its insurance broker and adviser on the basis of better indicated price and recent commitment to the Australian market. During the quarter Marsh commenced liaison with drilling managers LPM and associates on the drilling programme with specific attention directed to integrating safety and operational issues and documentation.

4. REPORTS SUBMITTED

On 21st October 2003 BSOC submitted a letter to the DPI reporting on developments regarding rig availability to drill the Year 2 commitment well. This was the first of the regular monthly reports as required under the terms of the suspension and extension granted on 19th September 2003.

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	60
Total	195