

PRODUCTION LEASE
PETROLEUM (ONSHORE) ACT 1991

NO.

3

DATED

15th December

A.D. 2003

THE MINISTER FOR MINERAL RESOURCES

OF THE STATE

OF NEW SOUTH WALES

TO

NARRABRI POWER LIMITED

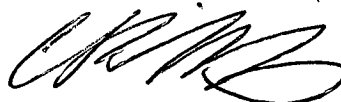
ACN 104 570 943

RECORDED in the Department of Mineral Resources

at Sydney,

this Fourteenth day of January A.D. 2004,

at the hour of Two o'clock in the after noon.



For Director-General

Production Lease Application No. 5

N.S.W. STAMP DUTY
CL No. 1848988 COAL MINING LEASE
2003-2004-2005

PETROLEUM (ONSHORE) ACT 1991

PRODUCTION LEASE

THIS DEED made the *Fifteenth* day of *December* Two thousand and three in pursuance of the provisions of the Petroleum (Onshore) Act 1991 (hereinafter called "the Act") BETWEEN **KERRY HICKEY**, Minister for Mineral Resources of the State of New South Wales (hereinafter called "the Minister" which expression shall where the context admits or requires include the successors in office of the Minister and the person acting as such Minister for the time being) AND **NARRABRI POWER LIMITED ACN 104 570 943, Level 2, 37 Pitt Street Sydney, NSW 2000** (which with its successors and transferees is hereinafter called "the lease holder").

WHEREAS

- (a) in conformity with the Act application was made for a production lease over the lands set forth in the First Schedule; and
- (b) all conditions and things required to be done and performed before granting a production lease under the Act have been done and performed NOW THIS DEED WITNESSETH that in consideration of the observance and performance of the covenants contained in this Deed, the Minister in pursuance of the provisions of the Act DOES HEREBY demise and lease to the lease holder ALL THAT piece or parcel comprising **2640 hectares** of land described in the Lease Area Plan annexed hereto, exclusive of any Crown Lands where Native Title may have not been extinguished, for the purpose of conducting petroleum mining operations.

TO HOLD the said land together with any appurtenances thereon subject to:

- (a) such rights and interests as may be lawfully subsisting herein or which may be reserved by the Act at the date of this Deed; and
- (b) such conditions, provisos and stipulations as are contained in this Deed UNTO the lease holder from and including the date of this Deed for the period of **twenty one (21) years** for the purpose as stated and for no other purpose.

1. THAT in this lease except insofar as the context otherwise indicates or requires:
 - (a) any reference to an Act includes that Act and any Act amending or in substitution for the same; "Director-General" means the person for the time being holding office or acting as Director-General, Department of Mineral Resources, Sydney; words importing the singular number shall include the plural, the masculine gender the feminine or neuter gender and vice versa; and
 - (b) any covenant on the part of two or more persons shall be deemed to bind them jointly and severally.
2. THAT the lease holder shall during the said term pay to the Minister in Sydney in respect of all petroleum recovered from the land hereby demised, royalty at the rate or rates prescribed by the Act and the Regulations thereunder at the time the petroleum is recovered, or at the rate or rates fixed by the Minister from time to time during the term of this demise in exercise of the power in that behalf conferred upon him by the Act.
3. THAT the conditions and provisions set forth in the Schedule of Conditions of Petroleum Production Lease herein are embodied and incorporated within this Deed as conditions and provisions of the lease hereby granted AND that the lease holder shall observe fulfil and perform the same.

PROVIDED always and it is hereby declared as follows:

- (a) THAT if the lease holder at any time during the term of this demise -
 - (i) fails to fulfil or contravenes the covenants and conditions herein contained; or
 - (ii) fails to comply with any provision of the Act or the Regulations with which the lease holder is required to comply; or
 - (iii) fails to use the land comprised in the title in good faith for the purpose for which it was granted

this lease may be cancelled or suspended by the Minister by instrument in writing and the cancellation shall have effect from and including the date on which notice of the cancellation is served on the holder of the lease, or such later date as is

specified in the notice, and any liability incurred by the lease holder before the cancellation or suspension took effect shall not be affected.

- (b) THAT no implied covenant for title or for quiet enjoyment shall be contained herein.
- (c) THAT all the conditions and provisions contained in the Petroleum (Onshore) Act 1991 and the Regulations thereunder, or any other law hereafter to be passed or prescribed shall be incorporated within the Deed as conditions and provisions of the lease granted. The lease holder hereby covenants to observe, fulfil and perform the same.
- (d) THAT such of the provisions and conditions declared and contained in this Deed as requiring anything to be done or not to be done by the lease holder, shall be read and construed as covenants by the lease holder with the Minister which are to be observed and performed.

IN WITNESS WHEREOF the parties hereto have executed this Deed the day and year first above written.

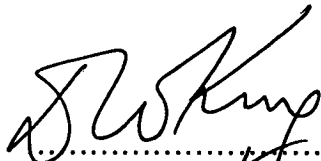
SIGNED SEALED AND DELIVERED
BY
KERRY HICKEY
as such Minister as aforesaid


15 DEC 2003

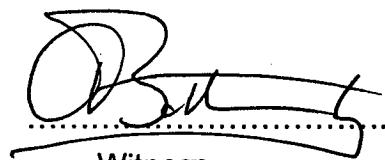
in the presence of


15 DEC 2003
Witness

SIGNED ~~SEALED~~ AND DELIVERED
BY
NARRABRI POWER LIMITED
in accordance with its
Constitution:


.....
DIRECTOR / SECRETARY
NARRABRI POWER LIMITED

~~in the presence of~~


.....
~~Witness~~
DIRECTOR
NARRABRI POWER LIMITED

SCHEDULE OF CONDITIONS OF PRODUCTION LEASE PPL No.

1 OPERATIONS

The lease holder must restrict operations to the lease area and must adopt only approved methods of operations unless the lease holder obtains written approval of the Minister and subject to any conditions he may stipulate.

2 MANAGEMENT AND REHABILITATION OF LANDS (GENERAL)

- (1) The lease holder must maintain the subject area in a clean and tidy condition at all times and carry out operation in a manner that does not allow contamination of soils.
- (2) The lease holder must stabilise and rehabilitate to the satisfaction of the Minister and within such time as may be allowed by the Minister any lands within the subject area which may have been disturbed by the lease holder.
- (3) Upon completion of operations on the surface of the subject area or upon the expiry or sooner determination of this authority or any renewal thereof, the lease holder shall remove from such surface such buildings, machinery, plant, equipment, constructions and works as may be directed by the Minister and such surface shall be rehabilitated and left in a clean, tidy and safe condition to the satisfaction of the Minister.
- (4) Operations must be carried out in a manner that interferes as little as possible with flora and fauna.
- (5) The lease holder must take all reasonable precautions against causing outbreak of fire on the subject area.
- (6) The lease holder must conduct operations in such a manner as not to cause or aggravate soil erosion and the lease holder must observe and perform any written instructions given or which may be given by the Minister with a view to minimising or preventing soil erosion.
- (7) The lease holder must provide and maintain to the satisfaction of the Minister efficient means to prevent contamination, pollution, erosion or siltation of any river, stream, creek, tributary, lake, dam, reservoir, watercourse or catchment area or any undue interference to fish or their environment and must observe any written instruction given or which may be given by the Minister with a view to preventing or minimising the contamination, pollution, erosion or siltation of any river, stream, creek, tributary, lake, dam, reservoir, watercourse or catchment area, or any undue interference to fish or their environment.

3 PETROLEUM PRODUCTION ENVIRONMENTAL OPERATIONS PLAN (PPEOP)

- (1) Operations must be conducted in accordance with a Petroleum Production Environmental Operations Plan (the PPEOP) satisfactory to the Assistant Director Environment. The PPEOP together with environmental conditions of development consent and other approvals will form the basis for:-
 - (a) ongoing operations and environmental management; c
 - (b) ongoing rehabilitation of disturbed areas, and
 - (c) ongoing environmental monitoring of the project.
- (2) The PPEOP must be prepared in accordance with the Director General's guidelines current at the time of lodgement.
- (3) The PPEOP must be lodged with the Director General:-
 - (a) Prior to commencement of production,
 - (b) Subsequently as appropriate prior to the expiry of any current PPEOP; and
 - (c) In accordance with any direction issued by the Director General.
- (4) The PPEOP must present a schedule of proposed operations for a period of up to seven (7) years and contain diagrams and documentation which identify:-
 - (a) area(s) proposed to be disturbed under the PPEOP;
 - (b) production and rehabilitation method(s) to be used and their sequence;
 - (c) existing and proposed surface infrastructure;
 - (d) progressive rehabilitation schedules;
 - (e) areas of particular environmental, ecological and cultural sensitivity; and
 - (f) proposed resource recovery.
- (5) The PPEOP when lodged will be reviewed by the Department of Mineral Resources.
- (6) The Director General may within two (2) months of the lodgement of the PPEOP, require modification and re-lodgement.

- (7) If a requirement in accordance with sub-paragraph (6) is not issued within two (2) months of the lodgement of the PPEOP, the lease holder may proceed with implementation of the PPEOP submitted subject to the lodgement of the required security deposit within the specified time.
- (8) During the life of the Petroleum Production Environmental Operations Plan, proposed modifications to the PPEOP must be lodged with the Director General and will be subject to the review process outlined in sub-paragraphs (5), (6) and
- (9) Where the lease holder and/or the Director General is of the opinion that the PPEOP should be amended, the lease holder shall submit an amended PPEOP for acceptance.

4 ANNUAL ENVIRONMENTAL MANAGEMENT REPORT (AEMR)

- (1) Within 12 months of the commencement of production operations and thereafter annually or, at such other times as may be allowed by the Director General, the lease holder must lodge an Annual Environmental Management Report (AEMR) with the Director General.
- (2) The AEMR must be prepared in accordance with the Director General's guidelines current at the time of reporting and contain a review and forecast of performance for the preceding and ensuing twelve months in terms of:
 - (a) the accepted Petroleum Production Environmental Operations Plan;
 - (b) development consent requirements and conditions; and
 - (c) Environment Protection Authority and Department of Infrastructure Planning and Natural Resources licences and approvals;
 - (d) any other statutory environmental requirements;
 - (e) details of any variations to environmental approvals applicable to the lease area.
- (3) After considering an AEMR the Director General may, by notice in writing, direct the lease holder to undertake operations, remedial actions or supplementary studies in such manner and within such period as may be specified in the notice to ensure that operations on the lease area are conducted in accordance with sound environmental practice.

- (4) The lease holder shall, as and when directed by the Minister, co-operate with the Director General to conduct and facilitate review of the AEMR involving other government agencies.

5 WATER

The lease holder must not interfere with the flow of water in any stream or watercourse

The lease holder must make such provisions for sanitation as may be directed by the Director General and must at all times observe and perform any requirements of the Director General respecting sanitation.

Contaminated water produced as part of normal operations must be contained, treated and disposed of in a manner approved by the Director General

6 DUST

The lease holder must take such reasonable precautions as are necessary to abate any dust nuisance.

7 FENCES

- (1) Fences on or adjacent to the subject area must not be interfered with without the prior written approval of the owner thereof or the Director General and subject to any conditions the Director General may stipulate.
- (2) Any gates within the subject area or any other gates used by the lease holder must be closed or left open in accordance with the requirements of the owner or occupier.

8 VEGETATION

- (1) The lease holder must not cut, destroy, ringbark or remove any timber or other vegetative cover on any other land subject of this lease except such as directly obstructs or prevents the carrying on of the operations.
- (2) All trees, shrubs and undergrowth which the lease holder cuts down, removes or damages for the purpose of the operations must be as directed by and to the satisfaction of the Director General.
- (3) The lease holder must observe any instructions given by any responsible authority with a view to the eradication of noxious weeds.

The lease holder must make all reasonable efforts to prevent the introduction and establishment of noxious weeds.

9 ROADS

- (1) In the event of the operations being conducted on the surface of any road, track or fire trail traversing the subject area or in the event of such operations causing damage to or interference with any such road, track or fire trail the lease holder must if directed in writing by the Minister provide to the satisfaction of the Minister an alternative road track or fire trail in a position as required by the Minister and must allow free and uninterrupted access along such alternate road, track or fire trail and, if required by the Minister, the lease holder must upon completion of operations rehabilitate the surface of the original road, track or fire trail to a condition satisfactory to the Minister.
- (2) The lease holder must consult with prior to and implement local Council and Roads and Traffic Authority guidelines as applicable in respect of works carried out on road verges and underneath shire roadways.

10 TRANSMISSION LINES, COMMUNICATION LINES AND OTHER UTILITIES

- (1) The lease holder must as far as is practicable so conduct operations as not to interfere with or impair the stability or efficiency of any transmission line, communication line or pipeline or any other utility traversing the surface or below the surface of the subject area and must comply with any written direction which may be given by the Minister in this regard.
- (2) The lease holder must as far as is practicable so conduct operations as not to interfere with or impair the operation and maintenance of electricity infrastructure managed by Country Energy. The relocation or removal of any Country Energy Assets due to the operations must be at the holder's cost.

11 ABORIGINAL PLACE OR RELIC

The lease holder must not destroy, deface or damage any aboriginal place or relic within the subject area except in accordance with an authority issued under the National Parks and Wildlife Act, 1974, and must take every precaution in drilling, excavating or disturbing the land against any such destruction, defacement or damage.

12 SAFETY

GENERAL

All production activity must be carried out in conformity with the "Schedule of Onshore Petroleum Exploration and Production Safety Requirements" published by the Department of Mineral Resources in 1992, as may be amended from time to time.

12.01 Protection of Mineability of Coal Seams

- (1) The lease holder shall work co-operatively and in good faith with the applicant or holder of any Mining Lease within the lease area, including with regard to identifying and managing the risk of the activities so as to not adversely affect the potential mineability, and the safe and efficient recovery of any mineable coal seams, and so as not to unreasonably impede rights to coal exploration and assessment activities provided under an Act.
- (2) The lease holder shall undertake all activities with due regard to identifying and managing the risk of the activities so as to not adversely effect the potential mineability, and the safe and efficient recovery of any mineable coal seams.

12.02 Responsibility of the Lease holder

Nothing in this lease alters the lease holder's responsibility under any law for overall protection of its personnel, the public and property, and the environment from undue effects of any activities associated with construction, operation and maintenance of the pipeline.

12.03 Compliance with Law and Standards

In carrying out its obligations under this lease, the lease holder must comply with all requirements imposed by law and with all recognised standards and practices to operate and maintain the pipeline and must obtain all the necessary consents and approvals.

12.04 Requirements of Statutory Authorities

Where the pipeline passes through any lands vested in or under the care and management of any public authority, the lease holder must comply with the agreements relating to the pipeline, which it has with such public authorities now and hereafter, unless the public authority waives any compliance.

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12.05 Contractors

The lease holder must ensure that contractors engaged by it comply with the relevant safety requirements imposed by law, with the requirements of the Construction Safety Plan, Safety and Operating Plan, and with recognised safety standards and practices, when undertaking any works, operating activities, alterations, maintenance or repairs on the pipeline.

PIPELINE

12.06 Pipeline in accordance with appropriate standard

The lease holder must ensure that any high-pressure gas pipeline is designed, constructed, operated, maintained, suspended and abandoned in accordance with the relevant provisions of AS 2885, Pipelines – Gas and Liquid Petroleum as in force from time to time, comprising-

- 2885.1 Part 1: Design and construction
- 2885.2 Part 2: Welding
- 2885.3 Part 3: Operation and maintenance.
- 2885.5 Part 5: Field pressure testing

12.07 Plans and Procedures

- (1) A safety and operating plan and procedures and emergency plan must be developed in accordance with the relevant requirements of AS 2885.
- (2) The plans shall be implemented at the time the pipeline is being placed into operation.
- (3) A copy of the safety and operating plan shall be lodged with the Director General within 6 months of the commencement of operation of a pipeline.

12.08 Nomination of persons to audit safety and operating plans

- (1) The lease holder must give the Director General a nomination in writing of a person or organisation as an auditor of the lease holder's safety and operating plan at least one month before the person is first required to give a certificate in relation to the plan.
- (2) A person may not be nominated as an auditor unless the person is independent of the lease holder and competent to exercise the functions of an auditor in respect of the safety and operating plan.
- (3) If the Director General advises the lease holder a nomination is no longer acceptable, the nomination ceases to have effect for the purposes of this lease.

12.09 Initial Audits of safety and operating plans

- (1) A safety and operating plan must, when lodged, be accompanied by a report on the plan from a nominated auditor that includes a certificate by the auditor that:
 - (a) the plan complies with the relevant requirements of AS 2885, and
 - (b) all measures intended to prevent hazardous events identified in the plan from occurring, and intended to protect operating personnel, plant, equipment, the community and the environment should they occur, are in place, and
 - (c) there are properly trained and equipped personnel available to implement the plan.
- (2) The Director General may, before the expiration of the period within which a safety and operating plan must be lodged, extend that period by notice in writing if the lease holder provides the Director General with a report from a nominated auditor indicating:
 - (a) an audit has been carried out, and
 - (b) any failure to comply with subclause (1) (a), (b) or (c), and
 - (c) the time within which the lease holder has undertaken to rectify any such non-compliance, and
 - (d) the measures that the lease holder proposes to take to rectify any such non-compliance.

12.10 Construction, Operation and Maintenance

(1) General

The lease holder must construct, operate and maintain the pipeline and its apparatus in such manner as is necessary to protect all persons, property and the environment from injury, loss, damage and other harm as the case may be.

(2) Risk Assessment

- (a) Before commencement of construction, or at such other time as agreed in writing by the Director General, the lease holder must submit a report to the Department, of a risk assessment study undertaken in accordance with Section 2 of AS2885.1. This

must include, as specified in that Section, the identification, evaluation and management of risks.

- (b) The study must include a report of an independently chaired hazard and operability study for above-ground facilities.

(3) Construction

- (a) The pipeline must be constructed in accordance with the Construction Safety Plan submitted by the lease holder.
- (b) The lease holder must ensure the safe operation and maintenance of the pipeline.

(4) Safety

The lease holder must ensure the safe operation and maintenance of the pipeline.

(5) Operation without Procedures

Nothing in this lease may be taken to permit the lease holder to operate the pipeline without adequate or recognised safety and operating procedures or practices before the Safety and Operating Plan is submitted to the Director General of the Department or subsequently.

(6) Repairs and Maintenance of Works

The lease holder must, when undertaking any maintenance or repairs to the pipeline comply with all relevant safety requirements imposed by law and with recognised safety standards, procedures and practices.

12.11 Marking of Route of Pipeline

- (1) The lease holder must erect at the following points signs indicating the route of the pipeline in respect of which the lease is held:
 - (a) at each point where the pipeline crosses the boundary of a property, highway, road, railway, river or stream,
 - (b) at each abrupt change of direction of the pipeline,
 - (c) at each point where the pipeline crosses a significant service, such as:
 - ii) a telecommunications or electric power cable, or
 - (ii) a major pipeline or drain (including a major water pipeline, sewer or buried stormwater drain),

- (d) if the pipeline:
 - i) runs alongside a highway, road or railway, or
 - ii) is on land other than land classified as Class R1 or equivalent in AS 2885,

at such intervals as will enable each sign to be visible from the sites of the next adjacent signs but not, in any case, at intervals exceeding 500 metres,

- (e) if the pipeline is on land classified as Class R1 or equivalent in AS 2885, at such intervals as will enable each sign to be visible from the sites of the next adjacent signs but not, in any case, at intervals exceeding 1 kilometre.

(2) The sign:

- (a) must indicate the location of the pipeline, its description, the name of the pipeline operator and an appropriate telephone number for the purpose of contact in an emergency, and
- (b) must contain a statement directing excavators to contact the pipeline operator before digging near the pipeline, and
- (c) must be double-sided, and
- (d) must comply with the requirements of AS 2885.

- (3) The lease holder must maintain each sign so that, at all times, it is legible and is visible from the next adjacent signs.

12.12 Periodic audits of safety and operating plans

- (1) A lease holder must lodge with the Director General in respect of its safety and operating plan a report on the plan from a nominated auditor that complies with subclause (2):
 - (a) within the period of 28 days after each anniversary of the grant of the lease, or
 - (b) within such other periods, of a lesser frequency, as the Director General approves in writing in relation to the particular lease holder.
- (2) The report must include a certificate by the nominated auditor that:
 - (a) the measures implemented to prevent hazardous events identified in the plan from occurring, and intended to protect operating personnel, plant, equipment, the community and the environment should they occur, are being maintained,

- (b) there are properly trained and equipped personnel available to maintain the plan,
 - (c) the plan is adequate and appropriate having regard to any changes in the pipeline since the previous audit certificate was issued,
 - (d) any measures to rectify non-compliance with the plan detected in any previous audit have been undertaken and are effective.
- (3) The Director General may, before the expiration of a period within which a certificate must be lodged by a lease holder under subclause (1), extend that period by notice in writing if the lease holder provides the Director General with a report from a nominated auditor indicating:
- (a) an audit has been carried out, and
 - (b) any failure to comply with the safety and operating plan, and
 - (c) the time within which the lease holder has undertaken to rectify any such non-compliance, and
 - (d) the measures that the lease holder proposes to take to rectify any such non-compliance.
- (4) The Director General may revoke an approval referred to in subclause (1) in relation to a lease holder by notice in writing served on the lease holder.

12.13 Routine reports

A lease holder must forward the following information, in writing, to the Director General within 28 days after obtaining the information:

- (a) any review of the suitability of pressure-control and over-pressure protection systems carried out in accordance with AS 2885,
- (b) any investigation of the condition of a pipeline and any limits for its continued safe operation beyond its design life carried out in accordance with AS 2885,
- (c) the results of any testing of the integrity of the pipeline carried out as the result of a particular occurrence,
- (d) any periodic audit and assessment of a pipeline carried out in accordance with AS 2885,
- (e) the results of any planned emergency simulations.

12.14 Annual Report

Within 28 days after each anniversary of the grant of a lease, the lease holder must provide a written report to the Director General that includes the following matters:

- (a) any changes in the ownership of the land to which the lease relates and a summary of any contact made with any new landowners undertaken in accordance with AS 2885,
- (b) any damage caused to the landowners of the land to which the lease relates that required the lease holder to make repairs or to pay the costs of repairs,
- (c) a summary of any pipeline surveillance carried out in accordance with AS 2885, and the results of the surveillance, including information on the following:
 - i) any activity that affects or could affect the pipeline that was carried out by a person other than the lease holder,
 - ii) access to, or security of, the pipeline and pipeline facilities, including locks, gates, fences and vegetation,
 - iii) the condition and maintenance of warning signs and notices,
 - iv) the placement of fill on or near the pipeline,
 - v) the placement of fencing or lighting, or power or telegraph poles, on or along the pipeline route,
- (d) details of the monitoring of the pipeline integrity, and any inspections and assessments, carried out in accordance with AS 2885, including:
 - i) any pipeline or coating repairs carried out as a result of any such monitoring, inspection or assessment, and
 - ii) the condition of any coating of above-ground pipework, and
 - iii) an assessment of the performance of any cathodic protection systems for below-ground pipework,
- (e) details of any unplanned or abnormal incidents in the operation of the pipeline that could have an effect on the long-term safety of the pipeline, including over-pressurisation, excessive temperature change, operational disruptions and equipment failures,
- (f) a summary of any measures taken to ensure community awareness of the pipeline and any safety issues relating to the lease holder's activities under the lease.

12.15 Five-yearly reports

Every 5 years, within 28 days after the anniversary of the grant of a lease, the lease holder must provide a report in writing to the Director General that includes the following:

- (a) any review, investigation or test relating to the maximum allowable operating pressure of the pipeline and carried out in accordance with AS 2885,
- (b) any review of the classification of the locations along the pipeline carried out in accordance with AS 2885.

12.16 Records and Returns

(1) Pipeline Records

The lease holder must maintain records of the pipeline as required by AS2885 and any other information necessary for the lease holder to assess and report to the Director General on the condition of the pipeline at any time.

(2) Record Retention, Storage and Retrieval

All records required to be maintained shall be retained, filed and stored in a manner to prevent deterioration and permit ready retrieval, for a period of seven (7) years after cessation of the operation of the pipeline. The records must be made available to the Director General, in such form and at such times, as the Director General may reasonably require.

(3) Other Information required by the Director General

The lease holder must provide such other information in such form and at such times as the Director General may reasonably require regarding the design, construction, operation and maintenance of the pipeline.

13 INDEMNITY

- (1) The lease holder must identify and keep indemnified the Crown from and against all and any accident or injury to any person or property which may arise out of the construction actions suits and claims and demands of whatsoever nature and all costs charges and expenses which may be brought against the lease holder or which the lease holder may incur in respect of maintenance or working of any workings now existing or to be made by the lease holder within the boundaries of the subject area or in connection with any of the

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operations notwithstanding that all other conditions of this lease must in all respects have been observed by the lease holder or that any such accident or injury must arise from any act or thing which the lease holder may be licensed or compelled to do herein.

- (2) The lease holder shall save harmless the Crown from payment of compensation and from and against all claims, actions, suits or demands whatsoever in the event of any damage resulting from mining operations under or near the subject area.

14 SECURITY DEPOSIT

- (1) A security in the sum of **\$205,000** must be lodged with the Minister by the lease holder for the purpose of ensuring the fulfilment by the lease holder of its obligations under this lease. If the lease holder fails to fulfil any one or more of such obligations the said sum may be applied at the discretion of the Minister towards the cost of fulfilling such obligations. For the purpose of this clause the lease holder must be deemed to have failed to fulfil the obligations of this lease if it fails to comply with any condition or provision hereof, any provision of the Act or regulations made thereunder or any condition or direction imposed or given pursuant to a condition or provision hereof or of any provision of the Act or regulations made thereunder.
- (2) The lease holder must provide the security required by sub-clause (1) hereof in one of the following forms:-
 - (a) cash,
 - (b) a security certificate or bond in such form and given by such surety may from time to time be approved by the Minister.

15 WELL LOGGING & SEALING

All wells drilled by the lease holder within the lease area will be subject to the following condition:-

The location and height (AHD) of each borehole collar must be determined to an accuracy of 1 metre and the position of the hole within potentially mineable coal seams must also be determined, using a gyroscopic downhole tool, to an accuracy of 1-2 metres.

This information must be supplied to the Department of Mineral Resources.

Plugging and abandonment must be undertaken in a manner acceptable to the Director- General.

16 RESTRICTION TO AREA

- (1) The area over which well maintenance/drilling activities are undertaken must be kept to the minimum practical size commensurate with best practice and safe operations. The working area must be clearly delineated by fencing and other barriers as appropriate.
- (2) If so directed by the Director General the lease holder must enclose the subject area with a secure stock proof fence and such fencing must be erected and maintained in a manner satisfactory to the Director General.
- (3) The lease holder must observe any instructions given by the Director General with a view of minimising or preventing public inconvenience or damage to public or private property

17 GEOLOGICAL & PRODUCTION REPORTING

(1) Well Drilling

The standard requirements for reporting in the Petroleum (Onshore) Act 1991, shall apply.

- (a) While an activity is taking place, the lease holder must submit a weekly progress report containing a summary of any test results and problems encountered.
- (b) The lease holder must submit a copy of all reports undertaken relating to the interpretation of the results of work carried out in the area including geological and geophysical reports as well as engineering reports. These reports must be submitted within six (6) months of the completion of the assessment.

(2) Well Assessment

The lease holder shall submit the following reports within seven (7) days of the completion of each month's activity:-

- (a) Gas flow rates for each well connected to the gas gathering system;
- (b) Total gas flow into the treatment facility

(3) General

The lease holder must submit a copy of all reports undertaken relating to the interpretation of the results of work carried out in the area including geological and geophysical reports as well as engineering reports. These reports must be submitted within six (6) months of the completion of the assessment.

18 CONTROL OF OPERATIONS

If an Inspector appointed under the Petroleum (Onshore) Act 1991, believes that the lease holder is not complying with any provision of the Act 1991 or Regulation or any condition of this lease relating to the working of the subject area, he may, direct the lease holder to cease working the subject area and to rectify the situation The lease holder must comply with any direction given.

19 MINISTER MAY MAKE STOP WORK ORDER

- (1) If the Minister is of the opinion that any action is being, or is about to be, carried out that is, or is likely to result in, a breach of any lease condition or of the Petroleum (Onshore) Act or the regulations under the Act, the Minister may order that the action is to cease and that no action, other than such action as may be specified in the order, is to be carried out in or in the vicinity of the lease area, or a portion of the lease area nominated by the order, within a period of 40 days after the date of the order.
- (2) An order takes effect on and from the date on which:
 - (a) a copy of the order is provided to the lease holder, or
 - (b) the person performing or about to perform the action is notified that the order has been made, whichever is sooner.
- (3) In this clause, a reference to action being, or about to be, carried out includes a reference to action that should be, but is not being, carried out and the Minister may make an order, in accordance with this clause, that any such action be carried out.
- (4) The Minister is not required, before making an order under this clause, to notify the lease holder or any other person affected by the order.
- (5) The Minister may extend an order under this clause for such further period or periods of 40 days as the Minister thinks fit.
- (6) After making an order under this clause, the Minister must immediately consult with the lease holder to determine whether any modification of the action may be sufficient to avoid a breach of a lease condition or of the Act or the regulations.

