

BACKGROUND

Amoco and South Australian Oil and Gas (SAOG) farmed into T/14P and T/18P in April of 1984 from the Bass/Cue Group. In T/14P Amoco and SAOG assumed a farm-in obligation of \$7 million Australian (approximately \$5.2 million U.S.) gross expenditure commitment which covered a \$4.6 million Australian (approximately \$3.4 million U.S.) expenditure commitment to the government. In T/18P Amoco and SAOG assumed a farm-in obligation of \$8 million Australian (approximately \$5.9 million U.S.) gross expenditure commitment; the license held a \$10.3 million Australian (approximately \$7.6 million U.S.) expenditure commitment. After meeting the farm-in commitments, Amoco earned 50 percent of each license and SAOG earned 25 percent of each license.

Amoco, SAOG, and the Bass Cue Group also acquired T/22P in September 1984, committing to a work program that included reprocessing 3,000 kilometers of seismic in Year 1 and drilling a 10,000 foot well in Year 2 with a backaway at the end of Year 2 (Enclosure 1). In 1986, after four wells were drilled in the licenses Offshore, now Petroz, assumed the Bass Cue Group's interest in each of the three licenses. The present license boundaries and partner working interest are illustrated in Enclosure 1.

When Amoco and partners acquired the licenses, 19 wells had been drilled in the licenses between 1965 and 1982 (Enclosures 2 and 3). Hematite and Esso drilled the Bass-1 well in 1965 to test an Oligocene carbonate reef that proved to be volcanic pyroclastics. Subsequent drilling of 18 additional wells tested both structural closures and stratigraphic traps. Of these 18 wells, ten wells recovered hydrocarbons by formation tests, primarily gas and gas condensate with a single oil recovery. Three of these wells defined a possible commercial gas field, the Pelican structure (Robertson, Nicholas and Lockwood, 1979).

In 1984 and 1985, Amoco and partners acquired over 4,000 kilometers of seismic data and reprocessed 3,000 kilometers of seismic data prior to their drilling program.

The Amoco Yolla-1 was the first well drilled by the partnership. The well was designed to test closure through the Eastern View section. The Yolla-1 spud in June 1985 and drilled to a total depth of 10,981 feet. The well discovered hydrocarbons at the top of the Eastern View, testing at rates as high as 11.8 million cubic feet of gas (MMCFG) and 892 barrels of condensate (BC) per day on a 80/64 inch choke. Within the same gross interval a thin oil zone was tested at a rate of 1 MMCFG and 300 barrels of 45 API gravity oil per day on a 16/64 inch choke (Enclosure 2). Amoco estimates the interval has recoverable reserves of 1.7 billion cubic feet (BCF) of gas and 6.9 million barrels (MMB) of oil. The well also discovered hydrocarbons at the top of the Paleocene, testing at rates as high as 15.1 MMCFG and 580 barrels of 51.2 degree API gravity condensate. Amoco estimates that this interval has recoverable reserves of 155 BCF and 6.4 MMB of condensate. The Yolla-1 well penetrated intrusive and extrusive igneous sections within the