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AMERICAN EXPLORATION COMPANY

EXPLORATION PERMIT NUMBER T/26-P

OFFSHORE OTWAY BASIN, AUSTRALIA

BY: J. G. JACQUOT

FIRST YEAR ANNUAL REPORT

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AMERICAN EXPLORATION COMPANY**



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2. Otway Basin - Deeper Horizons
3. Otway Basin - Form Line



American Exploration Company

First Year

Exploration Permit Number T/26P Offshore Otway Basin, Tasmania

For The Period From
July 9, 1992 to July 8, 1993

By: Joseph G. Jacquot

1.0 INTRODUCTION AND ADMINISTRATION

Exploration Permit T/26P was granted to Ansbachall Pty. Ltd. (A.C.N. 053781865) a wholly owned subsidiary of American Exploration of Houston, Texas, on July 9, 1992. The permit covers all or parts of 94 blocks (approximately 5,860 square kilometers) and is situated 20-30 kilometers west of King Island. Permit title has been transferred from Ansbachall Pty. Ltd. to American Exploration (Australia) Ltd. American Exploration owns a 100% working interest in the permit.

The permit was awarded based on our competitive work program bid outlined below:

TABLE I

<u>License Year</u>	<u>Proposed Program</u>	<u>Expenditure A\$</u>
Year 1	Review available data. Acquire 750 kilometers of multichannel seismic data.	550,000
Year 2	Process and interpret new seismic data. Integrate all geological and geophysical data.	250,000
Year 3	Acquire, process, and interpret 750 kilometers of detail and semi-detail multichannel seismic data over leads and areas of interest. Map potential drillable prospects.	550,000
<u>OPTION TO EXTEND TO NEXT PERIOD</u>		
Year 4	Drill and evaluate one exploratory well.	8,000,000
Year 5	Acquire, process, and interpret 250 kilometers of multichannel seismic data over potential prospects.	350,000
Year 6	Drill and evaluate one exploratory well.	<u>9,000,000</u>
6 Year Total - 1,750 kilometers of seismic and two wells		<u>18,700,000</u>

Formal application was submitted to the Designated Authority on February 24, 1993, proposing a modification of the work plan. On April 15, 1993, the Designated Authority granted a variation of conditions for the first year of the permit T/26P. This variation allowed American Exploration to complete the acquisition of all available seismic data over the permit and to scan and reprocess approximately 2,000 kilometers of old seismic data. The modified work plan is outlined below:

TABLE II

<u>License Year</u>	<u>Proposed Program</u>	<u>Expenditure A\$</u>
Year 1	Acquire all available data over the permit. Scan and reprocess 1972 km seismic data. Interpret data and map concession.	250,000
Year 2	Acquire, process and interpret 750 kilometers multichannel seismic data.	550,000
Year 3	Acquire, process and interpret 750 kilometers of detail and semi-detail multichannel seismic data over leads and areas of interest. Map potential drillable prospects.	550,000
<u>OPTION TO EXTEND TO NEXT PERIOD</u>		
Year 4	Drill and evaluate one exploratory well.	8,000,000
Year 5	Acquire, process, and interpret 250 kilometers of multichannel seismic data over potential prospects.	350,000
Year 6	Drill and evaluate one exploratory well.	<u>9,000,000</u>
6 Year Total - 1,750 kilometers of seismic and two wells		<u>18,700,000</u>

2.0 GEOLOGICAL AND GEOPHYSICAL EVALUATION

Substantially all the existing well and seismic data have been obtained and organized across T/26P and adjacent areas. The data are generally poor in quality and tapes for the seismic data have not been located. Substantial improvement of these old data has been achieved by having Masera/Lynx scan these data into a digital format and by having Daniels/Geotrace perform post-stack processing. The post-stack reprocessing for the 2,000 kilometers of old data included filtering, phase matching, signal enhancement, and migration. Because of the success of an initial pilot study involving seven lines of different vintages and scales and because of the approval of the modified work plan, the complete scanning and reprocessing program involving approximately 2,000 kilometers of old data has been successfully completed. The major improvements to the data set achieved by scanning and reprocessing are summarized below:

- A. Data of different vertical scales (3.75 inches/sec and 10 cm/sec) have been played out to the same vertical scale.
- B. Data of different horizontal scales can be played out to the same horizontal scale.
- C. Data of different vintages have been phase matched, allowing for better ties.
- D. Lines made up of several segments have been merged into a single sheet.
- E. Line ties have been plotted on scanned sections.
- F. Data can be migrated.
- G. Data set can be interpreted on a geophysical work station.
- H. New high quality reproducible films of all the scanned data have been generated.

Since the completion of the scanning and reprocessing project these lines have been and are being used to re-map the geology of T/26P (Enclosures 1, 2, 3) in advance of the design of our proposed 1994 shooting program.

American has received the field tapes and started to reprocess the recent BMR/AGSO lines which traverse the permit. These lines are of much higher quality than other data across the permit and can be significantly improved by reprocessing. These reprocessed data will be used to develop a stratigraphic framework to tie the older grids of data. The lines are as follows:

<u>Survey</u>	<u>Line</u>	<u>Length (Kilometers)</u>
40	22	100
48	9	127
48	10	64
48	11	73
48	18	64
48	19	19
48	20	<u>45</u>
Total		<u>492</u>

3.0 PLANNED WORK AND EXPENDITURES FOR YEAR TWO
(Ending July 8, 1994)

The following summarizes American Exploration's planned activity and estimated expenditures for Year Two for Permit T/26P:

<u>Dates</u>	<u>Description</u>	<u>Expenditure A\$</u>
07/09/93-07/08/94	General Geological and Geophysical Studies (G&A)	150,000
09/01/93-01/01/94	Reprocessing of BMR Seismic Lines	100,000
01/01/94-03/01/94	Acquisition and processing of 750 kilometers of seismic data	<u>800,000</u>
Total		<u>1,050,000</u>

4.0 SUMMARY OF EXPENDITURES, YEAR ONE

The following summarizes expenditures to date relative to T/26P:

<u>Dates</u>	<u>Description</u>	<u>Expenditure (A\$)</u>
07/09/92-07/08/93	General Geological and Geophysical Studies (G&A)	123,000
08/01/92-03/01/93	Purchase existing seismic data	60,000
11/01/92	Purchase base map	6,000
05/15/93-6/18/93	Scan and reprocess approximately 2,000 kilometers seismic data	<u>67,000</u>
Total		<u>256,000</u>

5.0 CONCLUSIONS

Work is proceeding on schedule, in accordance with the modified work plan. All available seismic data over the permit have been acquired. A new base map has been assembled. The scanning and reprocessing project for 2,000 kilometers of old seismic data has been completed. We have begun to reprocess the available BMR seismic data over the permit. Remapping of several promising leads and trends is in progress and line locations for American's proposed 1994 seismic acquisition program will be picked from these maps. American Exploration has spent approximately A\$256,000 to date.

If you have any questions or need further information, please call at 713-756-6588 or fax at 713-756-6010.

Yours truly,

Joseph G. Jacquot
Senior Geologist



SCALE: 1:50,000



American Exploration Company

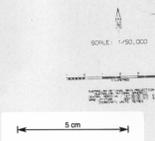
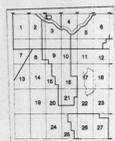
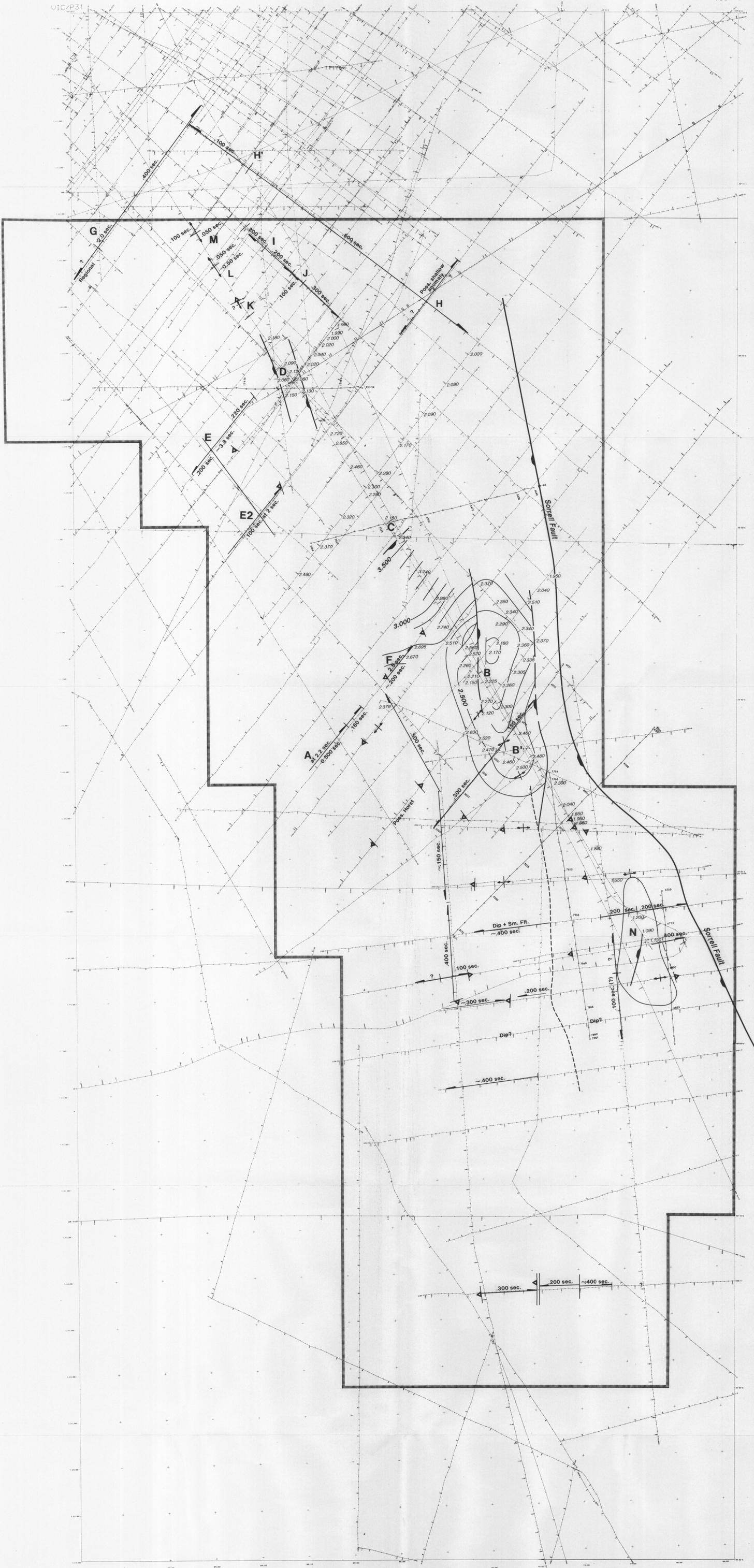
OTWAY BASIN
Australia

STRUCTURE

Approx. Base of Tertiary

Scale: 1:50,000 C1 Date: 8/83 Revised Date:
Geologist: J. MCGILL Property Reference: Created by: JMR

ENCLOSURE 1. CR. 0379

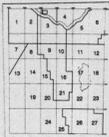
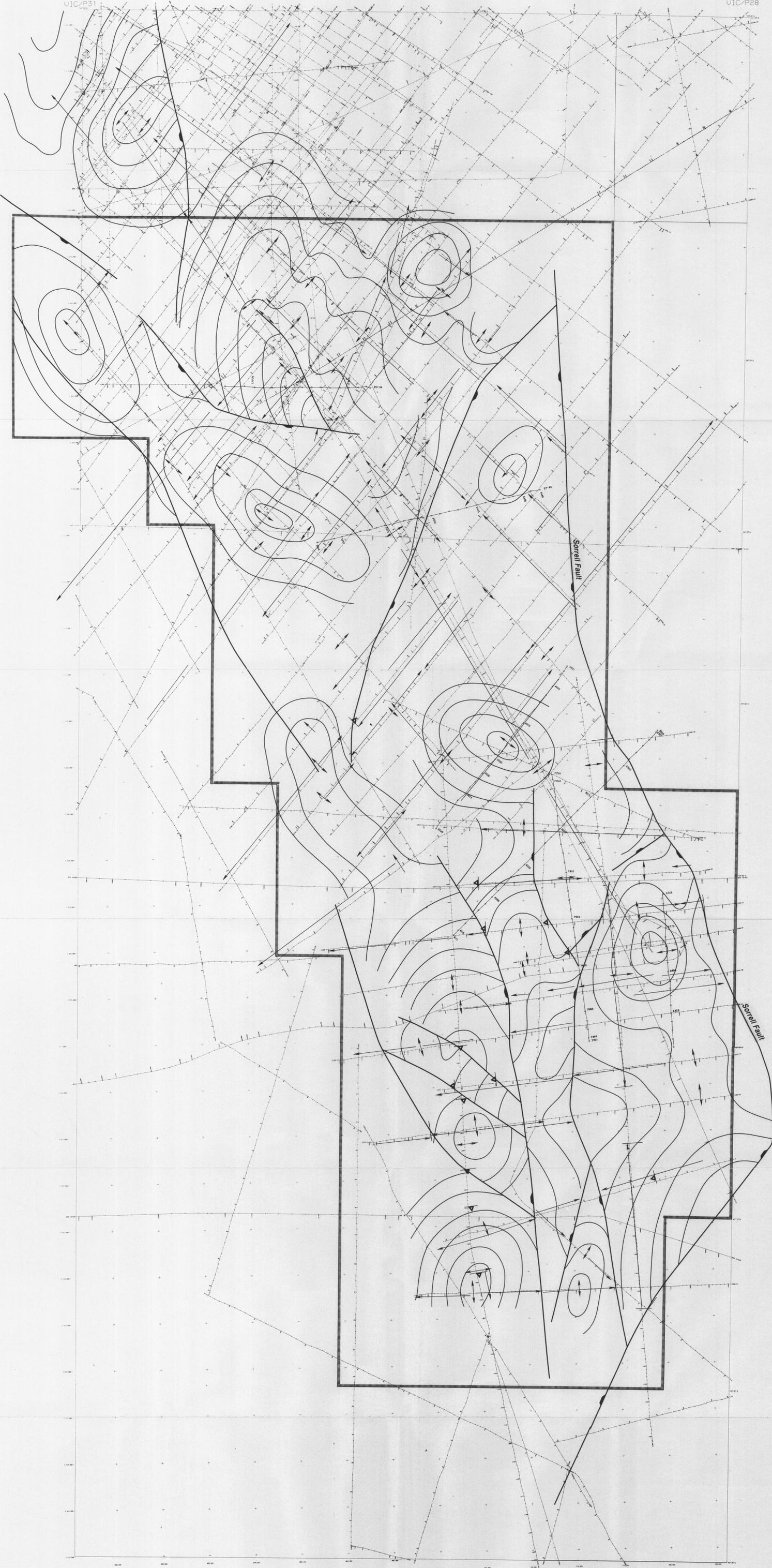


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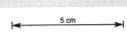
OTWAY BASIN
Australia
STRUCTURE
"Deeper Horizons"

Scale: 1:50,000
Date: 3/93
Drawn by: GJ
Checked by: GJ

ENCLOSURE B. CR-0772



SCALE 1:50,000



American Exploration Company

OTWAY BASIN
Australia

STRUCTURE
Form Line

Scale: 1:50,000 C1 Date: 3/83 Revised Date:
Geologist: J. 362802 Property Reference: Drawn By: DR

ENCLOSURE 3. OR 073