



1 INTRODUCTION

Statoil has planned an exploration drilling program of up to five wells to be carried out in 2014. Site and access construction are scheduled for June 2014 with the OzEpsilon-1 exploration well scheduled to be drilled in July 2014.

The well site is located in EP 128 in the Georgina Basin in the eastern part of the Northern Territory approximately 420 km north east of Alice Springs. Co-ordinates for the well site are: 699244mE, 7652877mS (UTM, Zone 53). A map of the location is contained in Appendix 2.

After the operations Statoil will permanently plug the OzEpsilon-1 well and carry out remediation works in consultation with the pastoral lessee.

2 MANAGEMENT APPROACH

Statoil employs highly skilled and experienced engineers and consultants to ensure that the environmental risks from its operations are as low as reasonably practicable. Statoil acknowledges the importance of the sustainable development to secure its future and to ensure the ongoing relationship with all stakeholders.

The drilling of OzEpsilon-1 has been planned based on the following principles:

- Minimise interference with the use of the land by other persons;
- Prevent unnecessary disturbance of flora, fauna and other natural resources;
- Avoid pollution of soil, water or the atmosphere;
- Minimise the incidence and effects of soil erosion.

3 PROJECT DESCRIPTION

The core activities involved in the OzEpsilon-1 project involve access and site construction, drilling and site rehabilitation.

Access to the well site and camp site will be via a cleared track from the Sandover Highway totalling approximately 500 meters. Site construction will involve clearing approximately 120m x 100m for the well site and 80m x 80m for the camp site. A water well will be drilled on the well site to supply the operations and enable Statoil to effectively monitor the ground water. The well site construction will also include a lined sump 20m x 10m, lined turkeys nest 36m x 26m and flare pit 6m x 3m.

After completion of the civil construction phase a Schramm 200 drilling rig will be mobilised to the site along with a camp and support facilities.

OzEpsilon-1 will then be drilled vertically to approximately 700 metres over an estimated time of 15 days. The well will target the Arthur Creek “hot shale” and the Thornton Limestone formations (described by GeoScience Australia as the Hay River formation) as unconventional prospects.

Core will be extracted and wireline logging conducted to evaluate the potential for hydrocarbons. The well will then be cased for completion.

4 ENVIRONMENT DESCRIPTION

The OzEpsilon-1 site lies within the Barkly Tableland, on the border of the Tanami Interim Biogeographic Regionalisation of Australia (IBRA) bioregion and the Mitchell Grass Downs bioregion. The site lies on sandy undulating plains with negligible relief from sand ridges. Surface flow is slow and dominated by sheet flow. There are low open woodlands of *Corymbia opaca* and *Hakea macrocarpa*, with a mid-layer consisting of isolated shrubs of oval-leaf cassia and Fitzroy wattle over *Triodia pungens* (soft spinifex) hummock grassland.

The Tanami IBRA region is dominated by vast Quaternary sandplains with vegetation comprised of *Hakea*, *Acacia*, *Corymbia* and *Grevillea sp.* over *Triodia pungens* and *Triodia schinzii* hummock grasslands.

The NT portion of the Mitchell Grass Downs IBRA bioregion is characterised by flat, gently undulating treeless plains consisting of deep grey clay soils, with seasonal shallow lake basins.

The region is mainly pastoral leasehold, with cattle grazing being the dominant land use.

The Environment Protection and Biodiversity Conservation Act 1999 (EPBC Act) Protected Matters Search identified one threatened fauna species as occurring or having potential habitat within a 30 km buffer of OzEpsilon-1. *Rostratula australis*, *Macrotis lagotis* and *Acanthopis hawkei* are listed as vulnerable under the EPBC Act. The protected matters report also identified seven migratory marine and migratory wetland species as occurring or having potential habitat within a 30 km buffer of OzEpsilon-1. A search of the NT Parks and Wildlife Fauna Atlas for the area within a 50km radius of the OzEpsilon-1 site identified 124 species with three as near threatened under the *Territory Parks and Wildlife Conservation Act* (TPWC Act). No species recorded during the on-ground survey are listed as threatened under the EPBC Act.

Rainfall data from Argadargada Station (60km southwest) shows mean annual rainfall is 322.5mm. Mean monthly rainfall ranges from 1.9 mm in August to 79.7 mm in January.

The OzEpsilon-1 site is located in the Georgina River Basin. The major rivers in the catchment are the Georgina and Hamilton Rivers and Eyre Creek and major drainages include the Sandover and Field Rivers. The catchment flows south into Lake Eyre.

Watercourses in the area include Bybby Creek and Stokes Creek that flow into the Georgina River. The closest tributary of Stokes Creek to OzEpsilon-1 is approximately 25 km east-south-east. The closest tributary of Bybby Creek is approximately 70 km south east. There are also tributaries of the Sandover River and minor drainage lines in the area.

5 ENVIRONMENTAL IMPACT

The impact on the environment will be temporary and minimised wherever practicable. The main impacts will be to fauna and flora from the clearing of the well site and camp site, however given the small size of the affected area, the impact will be relatively insignificant.

OzEpsilon-1 is not within any site of bioregional significance, protected areas or wetlands of national or international importance. The vegetation community surrounding OzEpsilon-1 is relatively common and widespread within the surrounding areas. Care will be taken in clearing of the well site, camp site and associated access tracks to avoid removal of established trees such as *Corymbia opaca* (Desert Bloodwoods) *Hakea spp*, and *Acacia coriacea* where possible, as these trees may provide significant habitat for native fauna. Best practice techniques will be employed to minimise vegetation loss and the operations will have little impact on the larger flora species (>2 m tall) or those with a diameter at breast height (DBH) of greater than 15cm.

There will be localised loss of flora and habitat for fauna where the removal of small shrubs is required to allow for access of vehicles and site works. Site works can also result in the removal of topsoil and the formation of windrows. Windrows which channel water will be constructed to avoid erosion. Top soil will be stockpiled where vegetation is removed to protect loss resulting from the wind and water process.

Exploration will indirectly impact on the local fauna through increased noise, vibration, dust, lights, roads and human activity, however this is unlikely to have any long term negative impact.

6 MANAGEMENT OF ENVIRONMENTAL RISKS

The clearing of the OzEpsilon-1 site will avoid removal of established trees such as Desert Bloodwoods where possible, as these trees provide significant habitat for native fauna.

Watering and compacting the cleared soil surface at the well and camp site and the use of other environmentally accepted dust suppression techniques will mitigate dust generation and erosion. The work at OzEpsilon-1 will be commenced during the dry season and therefore destruction of soil under wet conditions is not anticipated.

Any topsoil or sub-soil removed during land clearing will be stockpiled separately to maximise rehabilitation success by maintaining soil seed banks. Soil and vegetation stockpiles will be placed in low windrows around the boundary of the well and camp sites to form bunding to mitigate surface water run-on in the event of rain. Early measures to maximise rehabilitation success will aid in erosion mitigation at the site. The stockpiled soil will be re-spread over the cleared area to promote the growth of plants, which will help hold the soil in place. Changes to the topography of the area will be minimised to prevent erosion and changes to drainage patterns.

All personnel will undergo an environmental and cultural induction prior to commencing work at the OzEpsilon-1 site to enable them to identify flora and fauna of conservation significance. All land clearing and operations will be contained within the well and camp site dimensions and all personnel will be made aware of the boundaries.

Vehicle speed limits will be imposed and night driving will only occur in an emergency to reduce the risk to fauna collision and fauna fatality.

Clearing of vegetation can promote the spread of weeds into an area. Weed hygiene measures, such as vehicle wash-downs prior to mobilisation to the site will be enforced. Where possible, access roads will divert around any areas of weed infestation to minimise the risk of spread. All designated weeds of the Northern Territory have been identified. The growth and spread of these weeds will be controlled within the OzEpsilon-1 site and associated access tracks.

All domestic and putrescible wastes generated on site are to be disposed of in covered receptacles or covered landfill (in the case of organic wastes). Standing water will be fenced appropriately to reduce the presence of native and introduced fauna, including cattle.

Appendix 1 sets out each major risk to the environment and the associated measure taken to reduce the risk to an acceptable level.

7 CONSULTATION

Approval for the OzEpsilon-1 well has been received from the Central Land Council after a sacred site clearance survey of the area. Statoil has met with the pastoral lease holder and provided detailed information regarding the operations.

For any further information contact Vegard Lyngmo, Statoil leader in safety and sustainability at vly@statoil.com

Hazard / Risk	Cause	Consequence	Risk Treatment
Removal of native vegetation and potential fauna habitat	<ul style="list-style-type: none"> Onsite flora and fauna not previously determined during ecological assessments Off-road driving 	<ul style="list-style-type: none"> Loss of native vegetation Loss of declared rare flora or priority species Destruction of fauna habitat 	Desktop review of botanic surveys undertaken to ensure well site, camp site and access tracks avoid listed flora species.
			Existing access tracks used where possible to minimise the area cleared of native vegetation.
			Larger and mature vegetation will be avoided where possible.
			Vehicles and personnel restricted to existing access tracks, camp site and well site.
			Access tracks sighted to avoid native fauna burrows and habitat.
			Create designated turn around points to minimise disturbance to native vegetation.
Soil disturbance	<ul style="list-style-type: none"> Poor drainage control over cleared areas and topsoil/spoil stockpiles Light compaction required for rig stability Unstable subsoils Poor stormwater / surface flow management 	<ul style="list-style-type: none"> Erosion and sedimentation Compaction Subsidence Dust emissions 	Drainage controls implemented during operations (e.g. erosion berms and silt barriers).
			Topsoil and spoil stockpiled separately.
			Stockpiles constructed with low profile and away from drainage lines to reduce erosion potential.
			Implement dust-control measures (e.g. water spraying, dust suppressant).
			Sites rehabilitated as soon as practicable after the completion of operations to minimise potential for erosion.
			Following the first wet season after rig release, the project area will be inspected to determine whether any soil disturbance issues persist and remediation actions initiated where required.
Disturbance of indigenous heritage site(s)	<ul style="list-style-type: none"> Onsite indigenous heritage sites not previously determined during ethnographic study Personnel straying from access track, camp site and well site 	<ul style="list-style-type: none"> Damage to indigenous heritage sites 	Sites located to avoid indigenous cultural areas.
			SSCC issued by the CLC
			Site induction to cover local cultural sensitivities

Hazard / Risk	Cause	Consequence	Risk Treatment
Water quality	Contamination of water source while drilling surface interval	<ul style="list-style-type: none"> Contamination 	Well integrity through cement returns to surface and setting casing depth prior to any hydrocarbon bearing zone Water well monitoring program to provide early identification of any contamination
Well control event	<ul style="list-style-type: none"> Release of liquid hydrocarbons to the environment Release of gaseous hydrocarbons to the atmosphere 	<ul style="list-style-type: none"> Contaminated soil, surface water and/or ground water Uncontrolled fire Air pollution 	Blow out preventer used during operations from when the surface casing is set through to when the well is plugged and abandoned or when the wellhead is installed. Oil Spill Contingency Plan in place. Emergency Response Plan in place Emergency response drills conducted regularly.
Drilling cuttings	<ul style="list-style-type: none"> Unplanned release of drilling cuttings outside of disposal sump 	<ul style="list-style-type: none"> Physical or chemical impacts on flora, fauna, soil, surface water or groundwater from released cuttings 	Sump constructed for the disposal of cuttings and associated muds. Sump to be fenced while left to dry Well site is not located within sensitive environments.
Noise	<ul style="list-style-type: none"> Noise generated during operations 	<ul style="list-style-type: none"> Disturbance to local residents, wildlife or adjacent activities 	Area has very low population density
Disturbance or damage to infrastructure and services	<ul style="list-style-type: none"> Unknown infrastructure located in the planned drilling Human error 	<ul style="list-style-type: none"> Disruption of services to local residents e.g. power, telecommunication Damage to fence lines and farm gates 	Area has very low population density and no infrastructure that will be used during the operations Repair all fences and affected infrastructure to pre-operation condition as agreed with the relevant pastoralists.
Gas venting	<ul style="list-style-type: none"> Venting during operations 	<ul style="list-style-type: none"> Explosions Fire Loss of vegetation or fauna Destruction of fauna habitat 	Gaseous wastes are flared Combustible materials cleared from the area surrounding the flare pit Adequate fire equipment located on-site and personnel suitably trained. Bushfires NT advised of flaring
Blowout during well drilling or testing	<ul style="list-style-type: none"> Unexpected over-pressured or under-pressured formation 	<ul style="list-style-type: none"> Loss of vegetation or fauna 	Blow out preventers in use Blow out preventers tested

Hazard / Risk	Cause	Consequence	Risk Treatment
		<ul style="list-style-type: none"> • Destruction of fauna habitat • Soil contamination 	Drills to ensure preparedness for blow out event
Hydrocarbon contamination of flare pit	<ul style="list-style-type: none"> • Loss of combustion in flare pit • Failure to burn all fluids in flare pit 	<ul style="list-style-type: none"> • Physical or chemical impacts on flora, fauna, soil, surface water or groundwater from released fluids 	Measures to ensure flare pit does not lose combustion (e.g. pilot light, automatic sparker). Testing of soils in flare pit following operations followed by soil remediation (if required) Flare pit lined and filled with water to prevent soil contamination
Release of waste, chemicals or rubbish into the environment	<ul style="list-style-type: none"> • Improper disposal of wastes 	<ul style="list-style-type: none"> • Soil, surface water and groundwater contamination • Mortality of flora and fauna arising from soil, surface and groundwater contamination • Visual pollution from rubbish • Increased vermin or scavenger numbers locally 	Use of licensed waste management contractor if required. Program in place to minimise the volume of wastes generated and recycling of materials wherever practical (e.g. recycling plastic bottles). Water-based drilling cuttings, muds and wastewater disposed to sump, evaporated, and the sump buried on site after all liquids have been evaporated. Solid wastes and litter segregated and stored in covered rubbish skips for offsite recycling or disposal by waste management contractor. Waste oils and chemicals labelled and stored appropriately for offsite disposal by licensed contractors at approved facilities. Food wastes disposed of in animal proof bins, covered skips or closed trailers. Site inspected at conclusion of operations. For camps of more than 10 people, sewage treated by aerobic/anaerobic treatment plant and by-products disposed of in an excavated hole away from watercourses and subsequently backfilled
Introduction of noxious weeds and vermin, exotic species, flora and animal diseases	<ul style="list-style-type: none"> • Weeds and contaminated soil on vehicles 	<ul style="list-style-type: none"> • Infection of soil with diseases and pathogens • Infestation of weeds in cleared areas • Loss of native flora and fauna 	Equipment and vehicles cleaned and inspected for soil, plant material and pest animal contamination prior to mobilisation to site.

Hazard / Risk	Cause	Consequence	Risk Treatment
Uncontrolled fires	<ul style="list-style-type: none"> Ignition sources (e.g. vehicle exhaust, smokers) Grass fires and bush fires in uncleared areas from sources of ignition 	<ul style="list-style-type: none"> Loss of vegetation and native fauna 	Adequate fire equipment located on-site and personnel suitably trained. Ignition source control measures on-site.
			Only diesel vehicles used in operations.
			Smoking restricted to designated areas.
			No open fires.
Fuel, oil or chemical spills	<ul style="list-style-type: none"> Lack of appropriate bunding around storage and refuelling areas Inappropriate storage of fuel, oil or chemical containers Inappropriate handling of fuel, oil or chemicals during use 	<ul style="list-style-type: none"> Contamination of soil, surface water or groundwater 	Fuel, oil and chemical storage areas appropriately segregated, labelled and bunded, as required.
			Containers inspected for leaks or potential leaks.
			Personnel trained in the correct procedures for use of materials, including refuelling and clean-up and spill management procedures.
			Well site not located within a sensitive environment.
			Drip trays used while refuelling
			Portable fuel cans to be stored in bunded containers or trailers capable of holding at least 2.5 times the volume of stored fuel
			Emergency Response Plan and Oil Spill Contingency Plan in place and personnel trained in their implementation.
			Spill kits available in all relevant areas.
Vehicle collision with fauna	<ul style="list-style-type: none"> Unpredictable movement of animals Vehicles travelling at high speeds Vehicles travelling at dawn or dusk or in times of poor visibility 	<ul style="list-style-type: none"> Fauna death or injury 	Limit vehicle activities to daylight hours when fauna are more visible and avoid driving at night.
			Limit vehicle speeds to road conditions on access tracks
			Vehicle inspected to ensure they have working lights and/or spotlights.
			Vehicles to remain on designated access tracks.

OzEpsilon-1 location and exploration permits map

