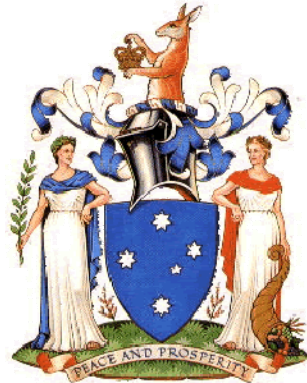


Training Purposes only
C o n f i d e n t i a l
Victoria eyes only



Republic of Victoria

BRIEFING DOCUMENT

Tasmania vs Victoria

VICTORIA BRIEFING

Republic of Victoria v. State of Tasmania:

Background Scenario

1. Regional

Victoria is a large and wealthy mainland State. To the south of Victoria lies the archipelagic State of Tasmania and to the southeast lies the large independent State of Hurd Island.

Hurd is a well developed industrial State that enjoys good relations with Victoria with many shared interests and ventures as major powers in the southern Pacific. Hurd and Victoria gained independence from UK in the early 1950s and began discussing a continental shelf boundary that was finally agreed in 1973.

Tasmania is separated from Victoria by Bass Strait, a dangerous waterway for the unwary and a fairly busy strait used mainly by vessels from the western ports of Victoria taking passage east to the Americas. Victoria and Tasmania have been locked in a difficult series of boundary negotiations that have reached an impasse with intractable differences and Tasmania has instigated arbitration.

2. Victoria

The Republic of Victoria (population c. 12 million) is a large continental State with a well developed, diverse economy and a liberal democracy. The main influence economically and politically in the area, Victoria is a member of the British Commonwealth and a former colony that gained independence in the early 1950s.

Off the south coast of Victoria lies the large dependent island of King Island, situated at the western entrance to Bass Strait. Further to the east, south from South East Point are a number of small islands extending southeast from the coast towards the north-eastern extremities of Tasmania in the Furneaux Island group. The Victorian islands are popular holiday resorts, particularly the Kent Group; Deal Island sports a sizable airport built on reclaimed land extending to the south of the island.

2.1 Baselines

Victoria is a signatory to UNCLOS and uses a normal baseline for the definition of maritime spaces and boundaries. There has been some talk about establishing a straight baseline on the south coast to enclose the many small island possessions in Bass Strait, extending out to the Kent Group, but nothing was done to put legislation in place.

2.2 King Island

King Island lies at the western entrance to Bass Strait. Although a little closer to Tasmania, is administered as a dependency of Victoria. The island has a population of about 3,000. It is about 60km long, rocky but low relief. There are two small settlements: Currie on the west coast and Grassy in the south. The first settlers from Victoria in the 1800s, officially nomadic sealers, were mainly occupied in salvage from nearly 60 vessels wrecked round the coast, after which many of the capes and points are named. Some of the bays and rivers are named after the 19th Century whalers and sealers. King Island and the shoals to the southeast towards Tasmania are good fisheries. In the late 19th and early 20th Centuries, a significant number of Tasmanian fishermen and their families settled on the island. The islanders are hardworking and not politically minded; they have more in common culturally and politically with Tasmania than Victoria.

At one time King Island was the largest producer in the world of scheelite from which tungsten is refined, the ore being mined from open cuts; the mines are now closed.

There is regular communication by sea with Tasmania and Victoria. Commercial vessels call at Grassy Harbour on the southeast coast of the island, and there is a navigational passage through the strait into the Bass Strait (although the main shipping route is north of the island). Small vessels may call at Currie on the west coast, the principal town of the island, but during westerly winds when berthing here is not possible they berth at Naracoopa Jetty on the east coast.

A number of small rocks and islands of undisputed sovereignty, lie between Wilsons Promontory on the south coast of Victoria and the Furneaux Group islands on the northeast coast of Tasmania.

2.3 Oil Industry

Victoria has a long and well-established oil industry off its southeast coast, in the Bass Basin. Production started in the 1970s but is now in steady decline. There are 15 producing platforms, interconnected with a pipeline network. There is a landfall and processing facilities at Lakes Entrance. All of the oil licensing activities to date in the area have been to the west of the 1973 Hurd-Victoria treaty line (see further details below) and to the north of the Victoria-Tasmania median line.

Exploration in the Bass Basin declined during the 1990s following major deep-water discoveries and a switch in emphasis to the northwest coast of Victoria. However the recent high oil price has re-focused operators' attention upon the Bass Basin.

There is considerable interest in potential oil deposits in the vicinity of Barramundi and Trevally Banks. Some opportunistic seismic lines suggest there may well be useful structures to investigate but, as this area lies in disputed waters between Victoria and Tasmania, some operators are reluctant to get involved. There is also growing interest from leading multinational operators in shelf areas further offshore, straddling the southern portion of the Victoria-Hurd Island treaty line.

2.4 Fishing

Fishing is not a major priority for Victoria. A small fleet operates out of Grassy Harbour on King Island but most of the population there are of Tasmanian extraction. A small fleet of a dozen vessels of Tasmanian design, equipped with small ice holds, operates out of the Hogan Islands. The fleet fishes year-round in the region of Barramundi and Trevally Banks (largely for elephant fish, but also for tuna when in season). It also fishes regularly in areas to the north and west of the Hogan Islands, where catches are equally plentiful. The crews aboard the Victorian vessels are mostly Tasmanian immigrants and many of the vessels are financed in part by Tasmanian family enterprises.

The few fishermen on mainland Victoria fish from small day boats within sight of the coast. Early-20th Century efforts by the British colonial administration to encourage ocean-going fishing activities by mainland Victorians, including in areas traditionally fished by Tasmanian fishermen, were of only limited success given the Victorians' traditional fear of the sea.

2.5 Politics

With a long history of labour governments that have moved steadily towards the centre, Victoria has a stable government and is a major political player in the region. In spite of socialist tendencies in the government, the country remains conservative towards radical change.

The commencement of arbitration proceedings by Tasmania has come as a great shock to Victoria, which had been keen to agree a negotiated solution. The negotiations failed to make any progress on three principal issues: the use of appropriate baselines, the role of islands and rocks, and access to resources. There is some regret that the situation with Tasmania has moved from hostility to impasse and that Victoria was not more creative in the early stages of negotiation as regards finding a solution to the Tasmanian fisheries issue without jeopardising its sovereignty over nearby oil resources. The current high price of oil offers a possible bonanza for Victoria in the region of Barramundi and Trevally Banks and up to the southern limit of its agreed boundary with Hurd, if it is able to secure an advantageous solution in the delimitation with Tasmania. There is also a feeling that Victoria should not back down and give in to Tasmania's perceived minnow economy.

3. Tasmania

3.1 Political and Economic

The State of Tasmania (population c. 500,000) declared independence from the Netherlands in 1952, following over 300 years of colonial administration by that State. It is a small and relatively poor island, with high unemployment and an economy based mainly on fishing and agriculture. Tasmania has some potential to develop tourism, but few other resources. Historically, farmers and fishermen have

held sway in government and have been guilty of a conservative and unimaginative approach to development of other resources, particularly industrial interests. This has caused increasing friction with emerging, more radical domestic opinion that Tasmania should try to cooperate with Victoria in developing bio-fuel technology and growing much larger acreages of rape seed oil. In recent years, the emerging evidence of possible natural oil and gas resources in the vicinity of the rich fisheries off the northeast coast has become a highly contentious issue within Tasmania, with many accusing the government of suppressing this potential bonanza under pressure from the fishing lobby.

Recently elected left of centre government has dynamic leadership that is trying to appease the conservative instincts of farming and fishing and lead the country to develop more lucrative revenue streams and trying to raise its prestige as a regional player.

3.2 Baselines

Tasmania is an archipelagic State, declared in 1992, with a published archipelagic baseline (ABL). It is a party to UNCLOS. The ABL achieves a ratio of 1:1 between sea and land but the ABL did raise a few eyebrows when declared as it relies heavily on small island features to the south of the main island. Through Bass Strait, Tasmania's ABL is best described as maximalist and, although Victoria's view of this is somewhat critical, no specific protests on the ABL are recorded by any States in the region. The US State Department is on record as criticising the ABL as excessive and as doubting the validity of Tasmania's claim to archipelagic status but has not officially protested. The ABL is described in detail in the accompanying "sailing directions" fact sheet. Tasmania has adopted the position during negotiations that the ABL and any intermediate points along these straight lines are valid base points for determination of both the 12M territorial sea limit and any calculated median line.

3.3 Fishing & Agriculture

The main island of Tasmania is of temperate climate, with fertile and productive farmland and a renowned reputation for dairy cattle and the manufacture of associated products. The State relies heavily on a productive and well managed fishery on the

northeast coast through the Flinders group and out to the north. The fishery is estimated by the UN's Food and Agriculture Organisation (FAO) to employ around 10,000 people, including a large number of fish boners, processors and vendors in numerous fishing communities on Flinders Island and the northeast coast of Tasmania.

Tasmania has traditionally (since at least the late 19th Century) fished Trevally Bank at the northeast entrance to Bass Strait. Victoria's tiny Fisheries Ministry is aware that this activity strays westwards onto Barramundi Bank at certain times of the year (primarily October to December and June to July) as the Tasmanian fishermen follow migratory shoals of tuna. Victoria objects periodically but, with little interest in the fisheries income, Victoria is otherwise generally tolerant of these transgressions. The Victorian protests are mildly worded and there is no activity from Victoria to enforce any jurisdiction over fisheries on the banks.

Historically, particularly in the late 19th Century and early 20th Century, Tasmanian fishermen used Elephant Island as a seasonal base for their activities on Barramundi Bank, at one stage even building an ice house and small fish cannery on the island. The fishing activities were undertaken by schooner vessels that were around 20 feet long and crewed by three or four fishermen. However, these activities died out in the 1950s following Victorian independence and assertion of sovereignty over the island (which has not been disputed by Tasmania and is not at issue in the present proceedings). After a short lull (of around 10 years), Tasmanian fishing activities recommenced over the Barramundi Bank as a result of technical advances allowing Tasmanian boats to increase their fishing range from Tasmanian fishing ports on Flinders Island. The Tasmanian boats currently fishing in the region of Trevally Bank and Barramundi Bank are "longliners" of up to 30 feet long that fish largely using lines and hooks and store their catch in small ice holds. The boats are generally family-owned and crewed by three or four fishermen (who are often related). Fishing trips from Flinders Island to Trevally Bank and Barramundi Bank last up to five days.

The Victorian Foreign Ministry considers that Tasmania's priority in the delimitation remains securing access to the fisheries around the Barramundi and Trevally Banks. Victoria considers that Tasmania's recent focus upon prospective oil resources is a

ploy to detract attention away from the fisheries issue, with a view to securing Tasmania's ultimate objectives.

3.4 Oil & Gas

Tasmania has some historic oil production in the south of the country established onshore in the 1970s, extended offshore in the 1980s, but there are limited and diminishing resources here and production is likely to cease altogether in the next 5-10 years. The area directly facing Victoria is un-prospective for oil. Tasmania's real interest lies in the area to the northeast, where hopes are pinned on the prospectivity of the sea-bed running north through the Flinders Group and on to Trevally Bank. This new interest is causing a large amount of internal conflict with the fishing lobby, which is proud and protective of the environmental protection and stock management of these productive fisheries

4 Hurd Island

Hurd Island (population c. 2 million) is an independent island State of substantial size lying some 300M east of Victoria and northeast of Tasmania. With a well developed and stable economy and mature democratic government, Hurd is on a developmental par with Victoria. However, it is a smaller and more conservative State, content with its regional standing and keen on good relations with its neighbours. It has particularly strong relations with Victoria, given its common language and colonial history and present-day Commonwealth ties. Hurd Island is not a party to UNCLOS.

4.1 Boundaries: Hurd - Victoria

The continental shelf boundary agreed in 1973 between Hurd Island and Victoria extends between the States to the drop-off of the sea-bed on the Bruce Rise close to the 1000 metre contour. This was seen by both States at the time as the limit of their respective continental shelves. The treaty was reached in good faith at a time when the States believed that geomorphology was a core factor in sea-bed delimitation.

The 1973 treaty line appears to extend beyond a theoretical tri-point defined by median lines between the Hurd Island, Victoria and Tasmania. The treaty is in

keeping with a treaty of about the same time made between Victoria and Western Samoa in the north. The 1973 treaty was not protested at the time by Tasmania.

The Hurd – Victoria boundary would be a simple median line except for the presence of Snares Island about 100M off the coast of Hurd. This has a small and seasonal population of about 40 – mainly scientists and meteorologists who visit in the summer months. This island was given half weight in the 1973 treaty. The southerly extension of the boundary was considered by Hurd and Victoria to be consistent with public international law at the time and advantageous in any event to their shared interest in the potential oil resources of the physical continental shelf in the area.

During the early negotiations between Tasmania and Victoria, Hurd let it be known at the highest levels in Victoria that, should Victoria wish to make a treaty with Tasmania, that treaty must be consistent with Hurd's entitlement under the 1973 treaty. Hurd has made clear to Victoria that it is presently unwilling to enter into any re-negotiation of the 1973 treaty.

Relevant Legislation

Extract from Tasmanian Archipelagic Waters and Exclusive Economic Zone Act, 1992

[...]

Section 7

“Where the median line as between Tasmania and any opposite or adjacent State is less than 200 nautical miles from Tasmania’s archipelagic baseline, the outer boundary limit of the Exclusive Economic Zone shall be that fixed by agreement between Tasmania and that other State, but where there is no such agreement, the outer boundary limit shall be the median line.”

Extract from Victorian Maritime Boundaries and Jurisdiction Act, 1978

[...]

Section 3

“Where the distance between Victoria and opposite or adjacent States is less than 400 nautical miles, the boundary of the exclusive economic zone shall be delimited by agreement between Victoria and the States concerned on the basis of international law in order to achieve an equitable solution.”

Training Purposes only
C o n f i d e n t i a l R e p o r t

REPUBLIC OF VICTORIA

Ministry of Oil and Gas

Offshore Exploration
Annual Review of Oil & Gas

Executive Summary

Report for the last calendar year ending 31 December

1. Exploration Activity

A total of 9 exploration wells were drilled, 3 wells more than in the previous year and 9 more than the year before (0 wells). Offshore, 3 new field wildcat wells and 6 extension/appraisal wells drilled resulted in 2 new field discoveries.

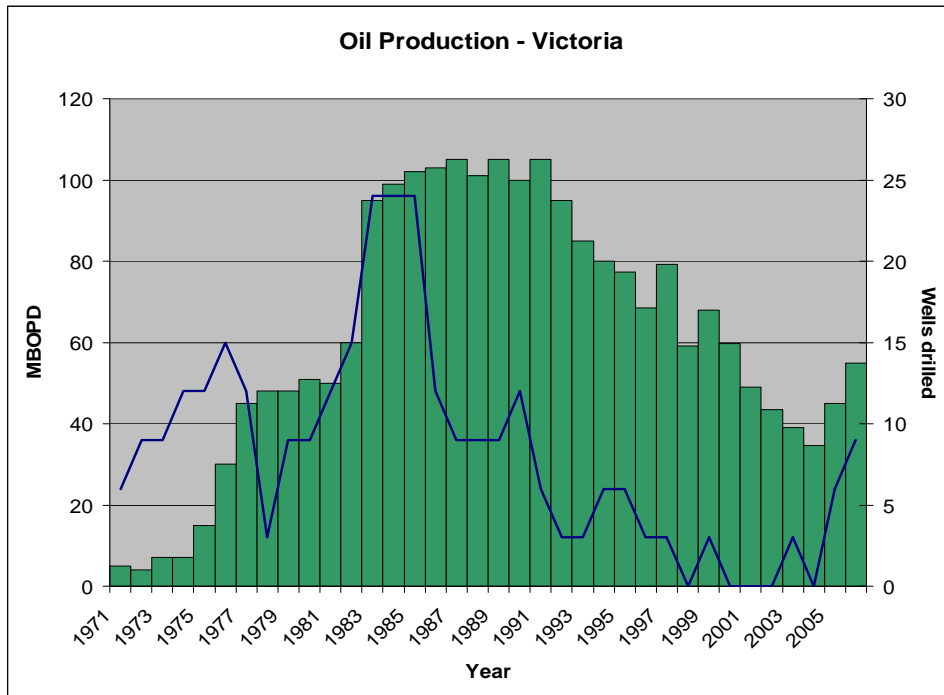
New field discoveries occurred in the Bass Basin at Moby (gas), and South Kingfish.

Most of the success and activity occurred in the Eastern Gippsland Basin of offshore southeast Victoria where exploration drilling continued to be driven by new operators into the area. With current high oil price and positive economic growth, this activity is forecast to increase over the next five years.

A total of 4,109 line km of 2D seismic and 719 km² of 3D seismic were recorded in Victoria. Offshore there were 5 seismic surveys carried out which collected 2,959 line km of 2D data and 639 km² of 3D data. Onshore exploration was restricted to some field surveys in the Canning Basin.

Petroleum exploration expenditure for the year was \$105 million of which \$15 million was expended on seismic surveys and \$30 million on drilling. Expenditure on development and production was \$78 million of which \$60 million was on development/appraisal drilling.

2. Production



Average crude oil plus condensate production for the year was 55,300 bbl/d. This is an increase of 10,100 over the previous year. The upturn in the long-term decline in oil production is due to the new deeper-water discoveries and upturn in drilling activity. It is anticipated that this growth can be maintained over the next five years.

Average consumption averaged 49,500 bbl/d; exports 8,300 bbl/d and imports (primarily low sulphur crude) 2,500bbl/d.

3. Reserves and resources

Current reserves are estimated at 1,370 mmbbl oil and 1.4 tcf gas
Discoveries in the year totalled 215 mmbbl oil and 0.9 bcf gas.

4. Future Prospects

4.1. Bass Basin

New discoveries and regional seismic acquisition have led to increased interest in the extension of the Kingfish and Barramundi highs. This area is particularly prospective for sandstone reservoirs in the Cretaceous and Palaeogene reservoirs. The large amplitude structure with direct hydrocarbon indicators seen on seismic has the potential for a giant oil field. The recent discovery at nearby South Kingfish has reduced the risk on this structure.

Work carried out by the Victoria Petroleum Exploration Department has identified a further number of prospective structures, situated east and south of the currently producing structures. These are currently in unlicensed acreage and a recommendation has been made to the Licensing Board for a new licensing round to cover these prospective areas and attract new investment into the area.

Yet-to-find reserves are estimated at 2,000 mmbbl oil and 5tcf gas. This is seen as a significant opportunity at moderate risk.

4.2. Foveaux Basin

The Foveaux Basin lies between Victoria and Hurd Island and is seen as prospective for high risk frontier plays. Preliminary regional seismic data shows several low amplitude structures associated with east-west trending extensional faults.

Sedimentary thicknesses are greater in the west and this area is most prospective for oil accumulations. Towards the east and south indications are that source rock potential decreases though data in this area are sparse.

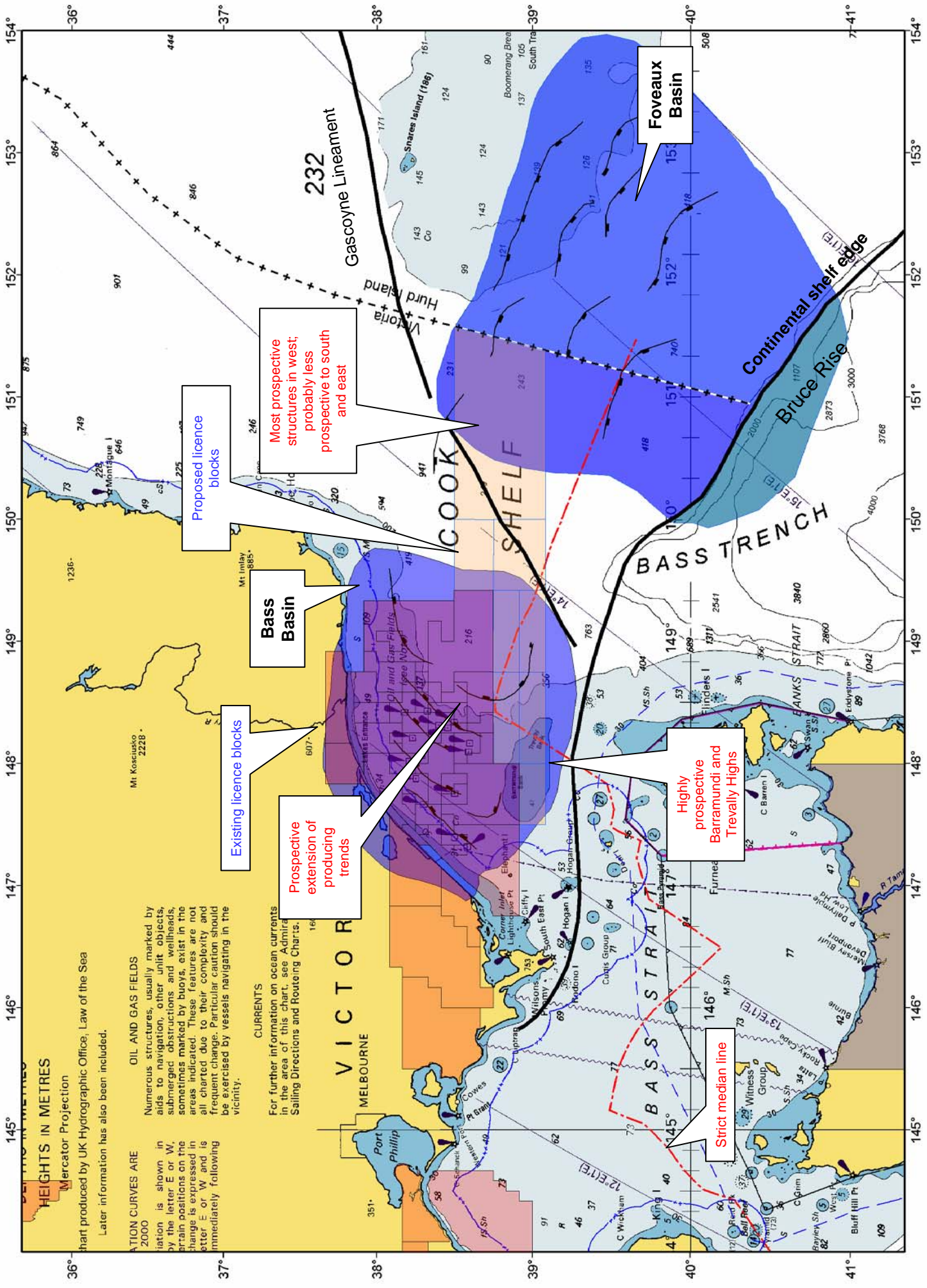
Yet-to-find reserves are difficult to estimate due to the lack of data. However regional analysis and the size of the structures identified on the regional seismic data provide a most likely estimate of 1,800 mmbbl oil and 3tcf gas, but at high risk. This is seen as an opportunity for oil companies interested in high risk frontier plays.

This area has also been proposed for the next licensing round.

Figure 1 Existing licences

Figure 2 Prospective structures

VICTORIA - CONFIDENTIAL



HEIGHTS IN METRES
Mercator Projection

Chart produced by UK Hydrographic Office, Law of the Sea
Later information has also been included.

CAUTION CURVES ARE
2000
Numerous structures, usually marked by
aids to navigation, other unit objects,
submerged obstructions and wellheads,
sometimes marked by buoys, exist in the
areas indicated. These features are not
all charted due to their complexity and
frequent change. Particular caution should
be exercised by vessels navigating in the
vicinity.

CURRENTS
For further information on ocean currents
in the area of this chart, see Admiralty
Sailing Directions and Routing Charts.

OIL AND GAS FIELDS
Numerous structures, usually marked by
aids to navigation, other unit objects,
submerged obstructions and wellheads,
sometimes marked by buoys, exist in the
areas indicated. These features are not
all charted due to their complexity and
frequent change. Particular caution should
be exercised by vessels navigating in the
vicinity.

Proposed licence
blocks

Bass
Basin

Existing licence
blocks

Prospective
extension of
producing
trends

Most prospective
structures in west;
probably less
prospective to south
and east

Highly
prospective
Barramundi and
Trevally Highs

Strict median line

Foveaux
Basin

232
Gascoyne Lineament

Continental shelf edge
Bruce Rise

COOK
SHELF

BASS TRENCH

BANKS STRAIT

BASS STRAIT

GLIDE

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