

8/18/2004

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Australian Competition and Consumer Commission
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Dear Sir

DELHI PETROLEUM PTY LTD – BALLERA TO MOUNT ISA PIPELINE RING FENCING COMPLIANCE REPORT

We refer to the annual Ring Fencing Statement of Compliance and Compliance Report for the period 1 July 2003 – 5 May 2004 (the "Statement and Report"), which has been submitted to the ACCC by Delhi Petroleum Pty Ltd ("DPPL") under section 4.13 of the *National Third Party Access Code for Natural Gas Pipeline Systems* (the "Code").

DPPL holds a 6.96% ownership interest in the Ballera to Mount Isa transmission pipeline (the "Pipeline").

The Statement and Report pertain to the period commencing 1 July 2003 and ending on 5 May 2004 (the "Change Control Date"). During that period DPPL was under the ownership and control of Esso Australia Resources Ltd ("EARL"). On the Change Control Date the control of DPPL was transferred from EARL to Gradav (Vic) Limited (ACN 108 507 366) ("Gradav") pursuant to a share sale agreement dated 31 March 2004.

It is the period from the Change Control Date through to 30 June 2004 (the "Transition Period") which DPPL now wishes to address, in the context of complying with the obligations contained in section 4.1 of the Code.

Under an agreement dated 5 May, 2004 between DPPL and EARL (the "Transitional Services Agreement"), EARL agreed to provide certain transition services to DPPL for an agreed period. This period includes the Transition Period.

Under the Transitional Services Agreement Gradav (as the holder of all of the issued shares in the capital of DPPL) has full responsibility and liability for all matters in connection with the Code.

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DPPL, its business and its assets. However, with respect to its ownership interest in the Pipeline (amongst other assets), for the duration of the Transitional Services Agreement, the day to day conduct of the business and operations of DPPL are carried out by EARL at the direction of DPPL.

To this end, for the duration of the Transition Period, the systems and procedures adopted by DPPL prior to the Change Control Date, as described in the Statement and Report, have continued, essentially without change.

DPPL is now in the process of establishing and implementing business and accounting systems and procedures independent of those provided by EARL. It is anticipated that these will be in place and fully implemented by the end of August, 2004.

It is intended that the systems and processes being developed and implemented by DPPL will ensure:

- (a) compliance with the obligations contained in section 4.1 of the Code;
- (b) that remedial action is taken as soon as possible to rectify breaches of the minimum ring fencing obligations;
- (c) regular and continual review of the same in order to facilitate ongoing compliance with section 4.1 of the Code.

These intentions are to be understood in the context of the ACCC waiver granted to DPPL on 30 May, 2002, in respect of its obligations under section 4.1(b) of the Code. Pursuant to that waiver the ACCC has agreed that DPPL may continue to operate the related business of natural gas production and sales as well as being a part owner and service provider of the Pipeline.

Specifically, DPPL intends to implement the following arrangements to prevent the transfer of confidential information pertaining to the Pipeline between DPPL's related business operations and activities.

1. ACCOUNTS

The accounting arrangements which are noted in sections 3 and 4 of the Report, will remain in place and unchanged in satisfaction of the obligations contained in sections 4.1(c) and (d) of the Code.

In addition, DPPL will continue to maintain its own ledger, reflecting all the activities of the Company and to lodge annual accounts with ASIC in accordance with the Corporations Act, Corporations Regulations, Accounting Standards and other mandatory reporting requirements.

2. TREATMENT OF CONFIDENTIAL INFORMATION

The nature of, and limitations on, DPPL's ownership interest in the Pipeline will continue to be as described in section 5 of the Report.

DPPL's ownership interest in the Pipeline will be administered by officers of Australian Petroleum Investments Pty Ltd (ACN 108 496 448) ("API") – the ultimate holding company of DPPL.

The production and marketing interests of DPPL in the South West Queensland joint venture (located upstream of the Pipeline) will be administered by the marketing function of DPPL.

There is no cross reporting or accountability as between the officers of API and the marketing function of DPPL.

All files, correspondence, agreements, reports and budgets pertaining to DPPL's ownership interest in the Pipeline will be kept in a locked filing cabinet within the offices of API. Whilst API will be located in the same building as DPPL, it will occupy a separate floor. API's offices will only be accessible via security passes at all times.

Operator of the Pipeline and the SWQ Producer Participants representative in respect of the Pipeline (Santos Limited) will be directed to send all correspondence and communications directly to API's address, facsimile machine and email address, as appropriate.

Access to electronic information pertaining to the Pipeline will be stored on a computer network with security arrangements in place providing access only to approved API personnel.

API personnel involved in the administration of DPPL's ownership interest in the Pipeline will be required to enter into confidentiality undertakings reinforcing the importance of avoiding the transfer of sensitive information in respect of that interest. In addition, confidentiality agreements will be put into place with all contractors and external organizations requiring access to confidential information, as required.

3. MARKETING STAFF

As noted above, DPPL is engaged in the production and marketing of natural gas from joint venture operations in the Cooper Basin, South Australia and South-West Queensland.

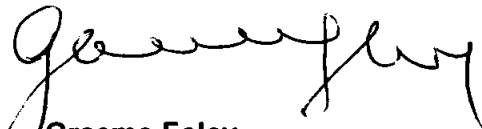
DPPL will continue to market its share of natural gas from the Cooper Basin fields jointly with Santos and others.

DPPL does not, and will continue not to, take an active part in the marketing or operation of the Pipeline – this responsibility rests exclusively with the Pipeline operator under the terms of the applicable joint operating agreement.

In order to ensure compliance with the requirements of section 4 of the Code, and to prevent the transfer of any commercially sensitive information between API (as the administrator of DPPL's Pipeline ownership interest) and DPPL (as the administrator of DPPL's gas producing and marketing operations) it is intended that the arrangements described under heading 2 above, will be implemented in the manner described above.

If you require any information regarding DPPL's proposals for managing its ownership interest in the Pipeline and ensuring DPPL's ongoing compliance with the ring fencing obligations contained in section 4.1 of the Code in respect of that interest, please contact Graeme Foley on ph. 02 9391 2200.

Yours faithfully,



Graeme Foley
Managing Director