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N M Heath
Gas & Power Marketing Manager

ExxonMobil
*Gas & Power
Marketing*

9 August 2004

FILE No
DOC:
MARS/PRISM:

Mr M Buckley
General Manager
Regulatory Affairs - Gas
Australian Competition and Consumer Commission
PO Box 1199
DICKSON ACT 2602

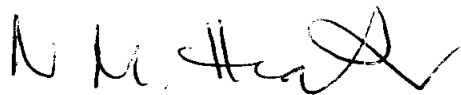
Dear Mike,

2002/3 Ring fencing compliance reports - Ballera to Mt Isa Pipeline

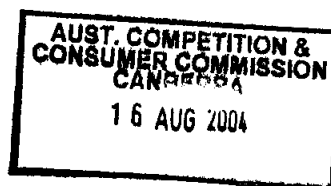
Please find attached the Ring Fencing Compliance Report for Delhi Petroleum Pty Ltd for the period 1 July 2003 to 5 May 2004. As you may be aware, Esso Australia Resources Pty Ltd sold 100% of its interest in Delhi Petroleum Pty Ltd effective 5 May 2004. Therefore as agreed with the ACCC we have included in this report only the time period when Delhi was under our effective management and control and amended the compliance statement accordingly.

If you have any queries in relation to this report or the above matter please contact Chris Twyford on (03) 9270 3911.

Yours sincerely



N.M. Heath
Director
Esso Australia Pty Ltd
(former Director, Delhi Petroleum Pty Ltd)



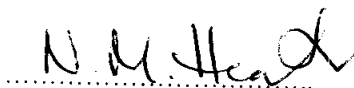
Statement of Compliance

Statement of Compliance for Delhi Petroleum Pty Ltd for the period 1 July 2003 to 5 May 2004

Delhi Petroleum Pty Ltd - Ballera to Mt Isa Pipeline

1. Attached is the annual Ring Fencing Compliance Report for the period 1 July 2003 to 5 May 2004. Delhi Petroleum Pty Ltd has not varied the Ring Fencing Compliance Report from the original sent by the ACCC other than (a) to provide the information required and (b) in accordance with specific amendments discussed with the ACCC to reflect Exxon Mobil's period of ownership of Delhi Petroleum Pty Ltd..
2. During the relevant period Delhi Petroleum Pty Ltd was not aware of any breach of any of the obligations listed in section 4.1 of the Code other than as detailed in this report.
3. Delhi Petroleum Pty Ltd maintained a compliance program during the relevant period that ensured that:
 - (a) appropriate internal procedures were established and maintained to ensure compliance with the obligations in section 4.1 of the National Third Party Access Code for Natural Gas Pipeline Systems (the Code);
 - (b) an accurate assessment of these procedures has been made;
 - (c) the Chief Executive Officer of Delhi Petroleum Pty Ltd was made aware of any breaches of the ring fencing obligations;
 - (d) remedial action was taken as soon as possible to rectify breaches of the minimum ring fencing obligations and that completion of this action was reported to the Board of Directors;
 - (e) the compliance program was reviewed regularly and as necessary.
4. The undersigned, being Directors of Delhi Petroleum Pty Ltd during the relevant period have approved this report.

Signed by:



NAME: **N. M. HEATH**

DIRECTOR

DATE: **3 August, 2004**

NAME:

DIRECTOR

DATE:



C Butler

4.8.04

Ring Fencing Compliance Report

Ring Fencing Compliance Report for Delhi Petroleum Pty Ltd for the period 1 July 2003 to 5 May 2004

Definitions

Unless otherwise defined, all capitalised terms used in this document have the meaning given to them in section 10.8 of the Code.

Compliance with minimum ring fencing obligations

Delhi Petroleum Pty Ltd ("DPPL") submits this report under section 4.13 of the Code. The report describes the measures taken to ensure compliance with its obligations under section 4 and provides an accurate assessment of the effect of those measures.

DPPL will, pursuant to section 4.14 of the Code, notify the Commission immediately on becoming aware of a breach (or potential breach) of its obligations under section 4 of the Code. Notification should be directed to the General Manager, Regulatory Affairs – Gas, ACCC.

1. Service Provider is a legal entity

Section 4.1(a) of the Code requires a Service Provider to be a legal entity.

State whether DPPL is a legal entity, the full name of the entity and under which law it is registered.

Delhi Petroleum Pty Ltd, ABN 65 007 854 686, is a legal entity incorporated under the Corporations Act 2001.

2. Not carry on a Related Business

Section 4.1(b) of the Code requires that a Service Provider not carry on a Related Business (essentially a business of producing, purchasing or selling natural gas).

Describe the business activities of DPPL and state whether these activities include any producing, purchasing or selling natural gas.

Please fill out the table below for all DDPL's Associates with any involvement in natural gas:

Entity	Business carried on	Assets owned
<i>Name of each Associate (and its relationship to «Service_Provider»)</i>	<i>Eg. Transmission/ distribution of gas, gas retailing, gas production/exploration</i>	<i>Eg. Name of asset</i>

DPPL was granted a waiver of the obligations under section 4.1(b) of the Code in a decision handed down by the ACCC on 30 May 2002.

3. Establish and maintain separate and consolidated sets of accounts

Section 4.1(c) of the Code requires Service Providers to establish and maintain separate accounts for the activity that is the subject of each Access Arrangement.

Section 4.1(d) of the Code requires Service Providers to establish and maintain a consolidated set of accounts for all the activities undertaken by the Service Provider.

Describe the measures taken to ensure that a separate set of accounts has been established and maintained in respect of the Services provided by each Covered Pipeline for which DPPL is a Service Provider (for example, describe how you ensure that costs incurred in relation to a Covered Pipeline are allocated to the relevant set of accounts).

DPPL had a 6.96% ownership interest in the Ballera to Mt Isa Pipeline (the "Pipeline"). The operator of the pipeline was Agility Management Pty Ltd ("Agility"), to which the operator function had been sub-contracted by Roverton Pty Ltd (which has a 70% interest in the pipeline). Neither of these companies was related to DPPL.

During the period 1 July 2003 to 5 May 2004, DPPL received on a monthly basis a statement from Agility setting out DPPL's share of operating and capital costs incurred. Operating costs relating to the pipeline were booked to a dedicated cost centre and capital costs were booked to a dedicated asset code for the Pipeline.

Apart from the Pipeline ownership DPPL had no other activities where it acted as a Service Provider.

Describe the measures taken to ensure that a consolidated set of accounts has been established and maintained in respect of the entire business of DPPL.

During the period 1 July 2003 to 5 May 2004 DPPL maintained its own ledger which reflected all the activities of the company. Under the Corporations Act DPPL was required to lodge accounts annually with ASIC. These accounts are required to be in compliance with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements.

4. Allocation of shared costs

Section 4.1(e) of the Code requires Service Providers to allocate costs in a fair and reasonable manner that is consistent with the principles in section 8.1 of the Code.

Provide details of the method of cost allocation used to allocate shared costs between Services provided by each Covered Pipeline and any other activity. If there is more than one method used, indicate which costs are allocated under which method. (It is not sufficient to merely assert that costs are allocated on a fair and reasonable basis in accordance with section 8.1 - please provide details of how these costs are allocated.)

DPPL was not the Operator of the BMIP and did not allocate costs to the Joint Venture accounts. The costs recorded in DPPL's ledger in respect of the Pipeline were those costs notified periodically by Agility as described in 3 above.

5. Treatment of Confidential Information

Under sections 4.1(f) and (g) of the Code, Service Providers must ensure that:

- *Confidential Information provided by a user or prospective user is used only for the purposes for which it was provided and is not disclosed without the user or prospective user's consent; and*
- *Confidential Information obtained by a Service Provider which might reasonably be expected to materially affect the commercial interests of a user or prospective user is not disclosed to any other person without the permission of the user or prospective user to whom the information pertains.*

Note that where functions of the Service Provider have been outsourced to a third party, the Service Provider is responsible for ensuring that any Confidential Information provided to the third party is handled in accordance with sections 4.1(f) and (g) of the Code.

Provide details of any policies or measures taken by DPPL to ensure that all Confidential Information it obtains is treated as specified in sections 4.1(f) and 4.1(g) of the Code. Examples include measures in place to ensure security of electronic and hard copy information, physical barriers such as secure access and confidentiality agreements signed by relevant staff.

Describe the measures in place to ensure that these policies have been successful and are regularly evaluated. Outline how often these policies are reviewed and assessed.

DPPL together with six other entities (together the "SWQ Producer Participants") were participants in an unincorporated joint venture which held various petroleum interests in South-West Queensland. The SWQ Producer Participants were minority (30%) owners in the Pipeline.

During the period 1 July 2003 to 5 May 2004, DPPL's ownership interest in the Pipeline was administered by a Financial Analyst in the Treasury function of ExxonMobil Australia Pty Ltd. DPPL's marketing interest in the South-West Queensland joint venture located upstream of the Pipeline were administered by the Marketing function of DPPL. The Financial Analyst in the Treasury function did not report to and had no accountability or responsibility to the Marketing function of DPPL.

DPPL did not have any direct participation in the business/management of the Pipeline, only indirect involvement through the SWQ Producer Participants representative (Santos Limited). This representative co-ordinated all issues requiring input from the SWQ Producer Participants (including DPPL) and liaised directly with the Pipeline operator.

Given its limited interest in the Pipeline (6.96%) and hence voting right in respect of joint venture operations, DPPL has limited influence or control over the majority of decisions made in relation to the business/management of the Pipeline. Additionally, the setting of tariffs and the marketing of pipeline capacity for the joint venture resided exclusively with the operator.

All contract negotiations with third parties and outsourcing of Service Provider functions were conducted by the operator of the Pipeline. DPPL had only indirect involvement with the operator's performance of such functions through the SWQ Producer Participants representative, Santos Limited.

DPPL's ownership related files (including agreements, budgets, operator reports and correspondence) were kept in a locked filing cabinet within a department which does not employ marketing staff. The locked filing cabinet was kept in an office which was locked after hours and during periods of absence during the day. Access to the building was via security passes.

Correspondence received by fax was directed to a fax machine kept in a secure room that has limited electronic access rights. No DPPL marketing staff had access to this room.

Electronic information was stored on a computer network with security arrangements that provide access only to approved personnel.

On an annual basis employees confirmed that they were complying with the company's Conflict of Interest Policy which includes confidentiality clauses.

Confidentiality agreements were put in place with all contractors as required and where necessary with external organisations who require access to confidential information.

The requirements to keep information confidential was formally documented in the Policy and Guidelines on Management and Protection of Information which was available to staff via the company intranet. This policy was reviewed on an annual basis. The staff responsible for marketing of DPPL natural gas were given regular training regarding their obligations to ensure confidential information is correctly managed and that ring fencing obligations are complied with.

6. Marketing Staff

Service Providers must ensure that:

- *their Marketing Staff (essentially those directly involved in sales, sale provision or advertising for the Service Provider) are not also working for an Associate that takes part in a Related Business (section 4.1(h) of the Code); and*
- *the Marketing Staff of an Associate involved in a Related Business are not also working for the Service Provider (section 4.1(i) of the Code).*

Note that in answering the questions below, the broadest possible meaning is to be given to 'servants, consultants, independent contractors or agents'.

Please indicate whether any of DPPL's Marketing Staff are also servants, consultants, independent contractors or agents of an Associate that takes part in a Related Business. If so, please describe the situation.

Please indicate whether any of DPPL's servants, consultants, independent contractors or agents are also Marketing Staff of an Associate that takes part in a Related Business. If so, please describe the situation.

Describe the procedures that DPPL has in place to ensure that it complies with section 4.1(h) and 4.1(i) of the Code (for example, declarations signed by new staff). Outline how often these procedures are reviewed and assessed.

During the period 1 July 2003 to 5 May 2004, DPPL and its holding company Esso Australia Resources Pty Ltd (Esso) were engaged in the marketing of natural gas produced from joint venture operations in the Cooper and Gippsland basins respectively.

Esso markets gas jointly with BHPBilliton (BHPB) from the Gippsland Basin fields where Esso's share of this Gippsland joint venture's gas resource is 50%.

DPPL marketed gas jointly with Santos and others from the Cooper Basin fields located in South Australia and Queensland. DPPL's share of the South Australian joint venture's resource is 20.21% and its share of the Queensland resource is 23.2%.

DPPL did not take part in the marketing or operation of the Pipeline. The Joint Operating Agreement provides that the setting of tariffs and the marketing of pipeline capacity shall rest exclusively with the operator.

Because there are occasions when the Esso/BHPB Gippsland marketing group might have been seeking to market gas in competition with the Santos led Cooper basin group, including DPPL, Esso took care to ensure that there was no transfer of commercially sensitive information between these groups. In addition, DPPL's interest in the Pipeline was required to be separate from gas marketing. Management of DPPL's business in the operation of the Pipeline resided in the Treasurers function of ExxonMobil Australia Pty Ltd ("EMA") with particular arrangements for handling sensitive information in relation to Delhi gas marketing.

Totally separated Gippsland and Delhi gas marketing divisions existed, each with its own management. These two divisions were located separately from each other and from other Esso/EMA functions including

the Treasurers function. They were provided with independent and secure office facilities including communications equipment, files, meeting rooms etc. Individuals working in the marketing divisions were required to sign confidentiality undertakings aimed at reinforcing the importance of avoiding any transfer of sensitive information. Similarly, administrative departments, including Treasurers, had arrangements for handling sensitive information in relation to the separated gas marketing functions.