

## **Compliance audit program**

PEL427 – Gunnedah Basin, Moree exploration

**Comet Ridge Ltd and Comet Ridge Gunnedah Pty Ltd**

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# 1. Introduction

## 1.1. Background

Petroleum exploration licence 427 (1991) was granted to Strike Oil NL on 21 May 1998. The title was transferred to Comet Ridge Ltd and Comet Ridge Gunnedah Pty Ltd on 10 May 2013. PEL427 is about 47 kilometres north of Narrabri in northern NSW.

Santos NSW (Betal) Pty Ltd (Santos) is the operator of PEL427.

As part of the compliance audit program, an audit of the exploration activities associated with the Gunnedah area exploration project within PEL427 was undertaken on 3 December 2024 by the Resources Regulator within the Department of Primary Industries and Regional Development, and NSW Environment Protection Agency (EPA) as the lead regulator for petroleum.

## 1.2. Audit objectives

The objectives of the audit were to:

- undertake a compliance audit of the Comet Ridge Ltd and Comet Ridge Gunnedah Pty Ltd petroleum exploration activities against the requirements of the *Petroleum (Onshore) Act 1991* and the conditions of the exploration licences and activity approvals issued pursuant to that Act.
- assess the operational performance of the exploration activities and the ability of the licence holder and/or its operator to implement management systems and controls to provide for sustainable management of the operations.

## 1.3. Audit scope

The scope of the audit included:

- a review of the exploration activities associated with PEL427
- a review of documents and records pertaining to the exploration operations for the period commencing 3 December 2022 and ending 3 December 2024.

## 1.4. Audit criteria

The audit criteria against which compliance was assessed included:

- *Petroleum (Onshore) Act 1991*
- Petroleum (Onshore) Regulation 2016
- Conditions attached to PEL427 (granted 21 May 1998, last renewed 12 April 2022)
- Exploration code of practice: Environmental management (version 3, September 2017, version 4, June 2021, and/or version 5, March 2022)
- Exploration code of practice: Rehabilitation (version 3, September 2017, version 4, June 2021 and/or version 5, March 2022)

- Exploration code of practice: Community consultation (version 1.1, May 2016, version 2.0, October 2022, and/or version 2.1, May 2023)
- Exploration code of practice: Produced water management, storage and transfer (version 3, September 2017, version 4, June 2021, and/or version 5, March 2022)
- Code of practice for construction, operation and decommissioning of petroleum wells (February 2023)
- Exploration reporting: A guide for reporting on exploration and prospecting in New South Wales (version 3, October 2021 and version 4, January 2022)
- Exploration guideline: Annual activity reporting for prospecting titles (version 3.0, December 2020 and version 4, October 2022)

## 1.5. Publishing and disclosure of information

This audit report was published on the Regulator’s website consistent with:

- Section 113M of the *Petroleum (Onshore) Act 1991*
- Resources Regulator’s *Compliance Publication Policy*
- *Government Information (Public Access) Act 2009*.

## 2. Audit methods

The audit process involved interviewing site personnel, reviewing documentation and samples of records provided by the licence holder and/or operator to determine the level of compliance of the operations and assess the status of the operational performance. The audit process and methodology are described in more detail in the sections below.

### 2.1. Opening meeting

An opening meeting was held at the Santos Narrabri Operations Centre on 3 December 2024. The audit team, which included representatives from the Resources Regulator and the EPA, was introduced, and the scope of their responsibilities was conveyed to the auditees. The objectives and scope of the audit were outlined. The methods to be used by the team to conduct the audit were explained, including the interview of personnel, review of documentation, examination of records and a site inspection to assess specific compliance requirements.

### 2.2. Site interviews and inspections

#### 2.2.1. Data collection and verification

Where possible, documents and data provided during the audit process were reviewed electronically on the day. Where documents were unable to be reviewed on the day, they were provided following the audit.

All information obtained during the audit process was verified by the audit team where possible. For example, statements made by site personnel were verified by viewing documentation and records, including site photographs, where possible. Where suitable verification could not be provided, this has been identified in the audit findings as not determined.

#### 2.2.2. Site inspections

A site inspection was not undertaken for PEL427. The 2 core holes drilled on PEL427 were both plugged and decommissioned, and rehabilitated. The rehabilitation was signed off by the Regulator as satisfactory. The audit was completed as a desktop assessment.

### 2.3. Closing meeting

A closing meeting was held at the Santos Narrabri Operations Centre on 3 December 2024. The objectives of this meeting were to discuss any outstanding matters, present preliminary findings and outline the process for finalising the audit report.

### 2.4. Compliance assessment definitions

The reporting of results from the compliance audit was determined based on the definitions presented below in Table 1.

Table 1: Compliance assessment definitions

Assessment	Criteria
<b>Compliance</b>	Sufficient and appropriate evidence is available to demonstrate the particular requirement has been complied with.
<b>Non-compliance</b>	<p>Clear evidence has been collected to demonstrate the particular requirement has not been complied with. There are three subcategories of non-compliance reflecting the severity and level of risk associated with the non-compliance:</p> <p>NC1 – the absence of planning or implementation of a required operational element which has the potential to result in a significant risk.</p> <p>NC2 – an isolated lapse or absence of control in the implementation of an operational element which is unlikely to result in a significant risk.</p> <p>NC3 – an administrative or reporting non-compliance which does not have a direct environmental or safety significance.</p> <p>Note: The identification of a non-compliance in this audit may or may not constitute a breach of, or offence under, the <i>Mining Act 1992</i>. Non-compliances identified in this audit report may be further investigated by the Regulator and regulatory actions may be undertaken.</p>
<b>Observation of concern</b>	<p>Where an auditee may be compliant at the time of the audit but there are issues that exist that could result in the potential for future non-compliance if not addressed.</p> <p>Observation of concern was also used where an issue may not have particular compliance requirements, but which was not conducive to good management or best practice.</p>
<b>Suggestion for improvement</b>	Where changes in processes or activities inspected or evaluated at the time of the audit could deliver improvement in relation to risk minimisation, sustainable outcomes and management practices.
<b>Not determined</b>	<p>The necessary evidence has not been collected to enable an assessment of compliance to be made within the scope of the audit.</p> <p>Reasons why the audit team could not collect the required information include:</p> <ul style="list-style-type: none"> <li>insufficient information on the file relating to the period covered by the audit or insufficient evidence collected to reach a conclusion</li> <li>the wording on the criteria (approval condition) meant that no evidence could be gathered, or it was too difficult to gather the evidence.</li> </ul> <p>A ‘not determined’ assessment was also made where the condition was outside the scope of the audit.</p>
<b>Not applicable</b>	<p>The circumstances of the authorisation or licence holder have changed and are no longer relevant ( e.g. no longer mining, mining equipment and plant has been removed).</p> <p>An invoking element in the criteria was not activated within the scope of the audit.</p>



## 2.5. Reporting

Following completion of the audit, the audit checklists were completed, and audit notes were reviewed to compile a list of outstanding matters to be noted in the audit report. This report was prepared to provide an overview of the operational performance of the site in relation to the exploration activities and identify any non-compliances or observations of concern noted by the auditors during the documentation review and interviews.

The draft audit findings were forwarded to Santos for comment. Consideration was given to the representations made during the finalisation of the audit report as discussed in the audit findings.

## 3. Audit findings

### 3.1. Work program

Section 14 (1) of the *Petroleum (Onshore) Act 1991* required an application for a petroleum title to be accompanied by a proposed work program that:

- indicates the nature and extent of operations to be carried out
- sets out commitments relating to the conduct of those operations (such as the timing of the operations)
- provides for the carrying out of activities (such as community consultation and environmental management and rehabilitation) in connection with those operations.

Clause 9 of the *Petroleum (Onshore) Regulation 2016* required operations to be carried out as described in the approved work program and in compliance with any commitments in relation to the conduct of operations specified in the work program.

An approved work program was in place for PEL427 based on the work program submitted with the renewal in April 2022. A review of the annual exploration reports for 2023 and 2024 showed geological studies and regional assessment were progressed over the previous 2 years. No onground works were undertaken. This was consistent with the description of activities in the approved work program.

Exploration data was noted to be maintained by the Santos geologists and petroleum engineers and submitted to NSW Resources with the annual activity reports as required.

### 3.2. Access arrangements

Section 69C of the *Petroleum (Onshore) Act 1991* stated, ‘the holder of a prospecting title must not carry out prospecting operations on any particular area of land except in accordance with an access arrangement or arrangements applying to that area of land’. The access arrangement was required to be agreed in writing between the holder of the prospecting title and each landholder of that area of land.

There were no onground activities on PEL427 during the audit scope period. Written land access agreements were not required because no activities were taking place. The Santos internal disturbance planning process included a check to ensure access agreements were in place before any activities took place. Where land access agreements were not in place, such agreements would be negotiated prior to any onground activities.

In addition to the land access agreements, Santos implemented a notice of intention to visit process, which notified landholders about 2 weeks in advance of planned activities.

### 3.3. Native title and exempted areas

Condition 1 of PEL427 required the licence holder to obtain the prior written consent of the Minister before carrying out any activities on land on which native title had not been extinguished. Similarly,

Section 70 of the *Petroleum (Onshore) Act 1991* required the consent of the Minister before a licence holder undertook any activities within an exempted area.

Santos staff said exploration activities were not being conducted within any exempted areas within PEL427. The 2 coreholes drilled on PEL427 were plugged and decommissioned, and rehabilitated.

Santos staff said most of the licence area was under freehold title where native title had generally been extinguished. No new wells or exploration coreholes were drilled on PEL427 during the audit scope period. No further approvals under condition 1 of the licence were required for PEL427.

It was observed Santos maintained a geographic information system (GIS) that included information of Crown lands and other areas where native title may apply. This was used for planning purposes and checks for exempted areas and native title were included in the internal disturbance planning process.

### **3.4. Community consultation**

Condition 2 of PEL427 required the licence holder to carry out community consultation in relation to the planning and conduct of exploration activities. Community consultation was required to be carried out in accordance with the requirements of Exploration code of practice: Community consultation.

An assessment against the mandatory requirements of the code of practice was undertaken as documented in the following sections. Generally, community consultation and engagement were very well managed.

#### **3.4.1. Risk assessment**

Mandatory requirement 1 of the code of practice required the licence holder to conduct a risk assessment to identify and consider the range of opportunities and potential threats associated with community consultation and engagement.

Santos undertook a community consultation risk assessment for the broader Narrabri gas project, which was documented as part of the community consultation strategy. This strategy included PEL427. The risk assessment was primarily focussed on the risks associated with each stakeholder group, rather than threats and opportunities for consultation and engagement overall. As suggestion for improvement one, it was recommended that Santos review the community consultation risk assessment against the objectives for consultation such that the risk assessment can focus on the risks and opportunities that need to be identified and managed to facilitate an inclusive and effective consultation program.

#### **3.4.2. Community consultation strategy**

Mandatory requirement 2 required the preparation of a community consultation strategy to manage the risks identified in the risk assessment. Mandatory requirement 3 set out the requirements for preparation of the community consultation strategy.

Santos prepared a consultation strategy for the broader Narrabri Gas project that included petroleum exploration licence 1 (1991), petroleum exploration licence 12 (1991), petroleum exploration licence 238 (1955), PEL427, petroleum assessment lease 2 (1991) and petroleum

production lease 3 (1991). The NSW Community Consultation Plan 1 January 2024 to 31 December 2024 generally followed the guidance material in the code of practice and included:

- objectives for consultation
- a description and analysis of community stakeholders and impacts
- a description of how consultation would be undertaken
- a process for review and amendment of the strategy when required.

The strategy title included the 6 petroleum titles that made up the wider Narrabri gas project. Records confirmed that the strategy was generally implemented on all 6 titles. However, it was noted the strategy was heavily focused on PEL238, particularly in the background section. This was raised as observation of concern one. It was recommended Santos update the strategy to make it clear it applied to all 6 titles and included information specific to each title.

### 3.4.3. Implementation and reporting

Mandatory requirement 4 required the licence holder to implement, monitor and report annually on the community consultation strategy.

Santos used a variety of consultation tools as described in the consultation strategy. Monthly activity updates were prepared and distributed to key stakeholders, community organisations and interested subscribers. These were also available on the Santos Narrabri gas project website that included fact sheets and links to community consultation reports and other information.

A Santos shopfront was established in Narrabri. Members of the public and any other stakeholders could obtain information from the shopfront where Santos staff were available to answer queries and receive feedback.

Santos established a community consultative committee (CCC) for the Narrabri gas project in accordance with its development consent. Exploration activities in the wider Narrabri gas project area, including any exploration activities in PEL427, were noted to be discussed at the CCC meetings.

Comprehensive annual community consultation reports were prepared for PEL427 and were available upon request. Reports were submitted to the Regulator with the annual activity reports, although this was not required after October 2022.

Santos maintained detailed records of all consultation activities in its SRM database. This included:

- a comprehensive listing of stakeholders and their contact details
- copies of correspondence sent to stakeholders
- details of complaints and enquiries.

## 3.5. Exploration activity approvals

Section 31A of the *Petroleum (Onshore) Act 1991* required the holder of an exploration licence to obtain an activity approval prior to carrying out assessable prospecting operations.

There were no exploration activity approvals current for PEL427.

### 3.6. Environmental management

Condition 3 of PEL427 required the licence holder to prevent or minimise so far as is reasonably practicable, any harm to the environment arising from the activities carried out under the licence. Typically, condition 2 of exploration activity approvals required the licence holder to carry out the activity in compliance with Part B of the Exploration code of practice: Environmental management.

No on-site activities were undertaken on PEL427. The requirements of the environmental management code of practice were not applicable to PEL427 because there were no exploration activity approvals in force that required compliance with the code.

### 3.7. Rehabilitation

Condition 5 of PEL427 required the licence holder to carry out rehabilitation of all disturbance caused by activities carried out under the licence in accordance with the requirements of the Exploration code of practice: Rehabilitation.

There were no surface disturbing exploration activities in PEL427 since the imposition of condition 5. The mandatory requirements of the code of practice were generally not applicable to PEL427.

Two coreholes were drilled in PEL427. Bellata 2 was drilled in 2004, and Moree 4 was drilled in 2009. Both coreholes were rehabilitated to the satisfaction of the Regulator.

### 3.8. Security deposit

Condition 4 of PEL427 required the licence holder to provide a security deposit to secure funding for the fulfilment of obligations under the licence.

The security amount required for PEL427 was \$10,000, which department records confirmed was held. There were no exploration activities in progress and no applications for assessable prospecting operations that would trigger a review of the security deposit.

### 3.9. Overlapping coal titles

Condition 8 of PEL427 required the licence holder to make reasonable attempts to enter into a co-operation agreement with the holder(s) of any overlapping coal titles. Condition 14 of PEL427 required the licence holder to undertake operations with regard to identifying, managing and minimising the impact of activities on the potential mineability of coal seams.

A search of the department's Minview system identified there were no overlapping coal titles within PEL427. Condition 8 was not applicable.

### 3.10. Construction, operation and decommissioning of wells

The licence conditions for PEL427 were amended by an instrument of variation dated 29 August 2023 which replaced conditions 9 to 13 and 15 to 16 with one condition requiring the lease holder to design, construct, operate, maintain and decommission all petroleum wells in accordance with the

Code of practice for construction, operation and decommissioning of petroleum wells published by Department of Regional NSW in February 2023.

There were no petroleum wells within PEL427. The 2 coreholes drilled on PEL427 were rehabilitated. The provisions of the code of practice were not applicable.

### 3.11. Beneficial use of gas

Section 28B of the *Petroleum (Onshore) Act 1991* and clause 16 of the Petroleum (Onshore) Regulation 1991 allowed the licence holder to beneficially use gas recovered from the exploration operations, if that gas would otherwise have been flared or released into the atmosphere as part of the exploration activities.

There were no exploration operations on PEL427 that produced gas. The beneficial use of gas provisions were not applicable to PEL427.

### 3.12. Reporting

#### 3.12.1. Annual reporting

Section 97C of the *Petroleum (Onshore) Act 1991* and clause 21 of the Petroleum (Onshore) Regulation 2016 required the lease holder to submit an annual report within one calendar month following grant anniversary date. Condition 6 of PEL427 required the licence holder to submit an activity report annually within one calendar month following grant anniversary date. Annual activity reports were required to be prepared in accordance with the Exploration guideline: Annual activity reporting for prospecting titles.

During the audit scope period, Santos prepared and submitted annual activity reports comprising:

- annual geological report
  - PEL427 annual report for reporting period 21 May 2022 to 20 May 2023 – submitted 15 June 2023
  - PEL427 annual report for reporting period 21 May 2023 to 20 May 2024 – submitted 20 May 2024.
- environmental and rehabilitation compliance report
  - PEL427 environmental and rehabilitation report for reporting period 21 May 2022 to 20 May 2023 – submitted 22 June 2023
  - PEL427 environmental and rehabilitation report for reporting period 21 May 2023 to 20 May 2024 – submitted 13 June 2024.

Community consultation reports were not required to be submitted to the Regulator after October 2022. Although not required, Santos submitted an annual community consultation report with its annual activity report for 2023. Santos received no requests for the annual community consultation reports for PEL427 that were not published on the Santos Narrabri gas project webpage.

The annual geological reports generally followed the NSW Resources guideline Onshore petroleum reporting and data submission - A guide to geoscientific reporting and data submission of onshore petroleum exploration and production in New South Wales.

Santos used the Regulator template for the preparation of the environmental and rehabilitation compliance reports.

### 3.12.2. Drilling and seismic activity reporting

Section 97C of the *Petroleum (Onshore) Act 1991* and clause 22 of the Petroleum (Onshore) Regulation 2016 required the licence holder to prepare and submit a report in relation to each seismic program, and the drilling of each borehole.

There was no drilling and no seismic surveys conducted on PEL427 during the audit scope period that triggered the need for reporting. No reports were required to be prepared.

### 3.12.3. Partial relinquishment reporting

Section 97C of the *Petroleum (Onshore) Act 1991* and clause 23 of the Petroleum (Onshore) Regulation 2016 required the licence holder to prepare and submit a partial relinquishment report where the licence holder's title was partially cancelled. Reports were required to be submitted within one calendar month of notification of the part cancellation.

PEL427 was renewed on 12 April 2022. Relinquishment of some areas of the title was a requirement of renewal. Santos relinquished 65 of the 77 blocks comprising PEL427 (84% of the tenement), leaving 12 blocks remaining. This partial relinquishment triggered the requirement for a partial relinquishment report for PEL427 in accordance with clause 23 of the Regulation.

Santos prepared and submitted a partial relinquishment report for PEL427 in May 2022 which was within one calendar month of the renewal as required.

## 3.13. Core and sample storage

Section 97G of the *Petroleum (Onshore) Act 1991* and Clause 29 of the Petroleum (Onshore) Regulation 2016 required the holder of an authority to, so far as is reasonably practicable, collect, retain and preserve:

- all drill cores remaining after sampling
- characteristic samples of the rock or strata encountered in any drill holes.

All core and samples collected were required to be labelled, stored and managed in a manner that preserved the integrity of the core or samples.

No new drilling was undertaken on PEL427 during the audit scope period. Drilling was last undertaken in 2009. Core and samples were collected during previous drilling operations and several samples were sent to the department's Londonderry Core Library.

Santos said core and samples were stored at the Santos Narrabri Operations Centre, which was not inspected during the audit.

### 3.14. Record keeping

Sections 97D and 97E of the *Petroleum (Onshore) Act 1991* related to the creation and maintenance of records required under the Act, the Regulations, or a condition of title. Records must be kept in a legible form for production to any inspector and must be maintained for a period of four years after the expiry or cancellation of the title. Specific requirements for the types of records to be maintained for exploration activities were detailed in the mandatory requirements of the exploration codes of practice as follows:

- mandatory requirement 5 of the community consultation code of practice
- mandatory requirement 13.1 of the environmental management code of practice
- mandatory requirement 5 of the produced water code of practice
- mandatory requirement 6 of the rehabilitation code of practice.

Records reviewed during the audit demonstrated that Santos was generally maintaining records as required by the licence conditions and the exploration codes of practice. Examples of records reviewed included:

- notice of intention to visit process and records
- Santos GIS system including environmental layers
- internal disturbance planning process records
- annual activity reports
- partial relinquishment reports
- community consultation strategy
- community consultation records in the SRM database
- community consultation reports.



## 4. Compliance management

### 4.1. Identifying and managing compliance obligations

Identifying compliance obligations is a critical step in the development of an effective compliance management system. Compliance obligations for an exploration project can include:

- regulatory requirements (for example, the *Petroleum (Onshore) Act 1991*)
- conditions imposed on the grant, renewal, or transfer of exploration licences
- exploration activity approvals
- exploration codes of practice
- specific commitments made by the organisation (for example, commitments made in the approved exploration activity applications).

Once identified, compliance obligations should be reviewed periodically to identify any changes in those obligations (for example, changes in legislation).

Santos identified its compliance requirements and developed comprehensive and robust systems to manage those obligations. Examples of compliance management systems and processes included:

- the Landfolio software system - used to action and track compliance requirements. For example:
  - reporting dates were entered into the system and reminders generated as dates approached
  - assessable prospecting operation approval requirements were tracked for each exploration activity
  - work program requirements were entered in the system and were tracked and actioned as required.
- the internal disturbance planning process – required for any surface disturbing activity. This process used a gateway process to ensure compliance requirements were identified and actioned throughout the planning and implementation of exploration activities.

Records were generally available to confirm compliance with documents and records able to be linked through the Landfolio system.

### 4.2. Contractor management

Contractors are often used to undertake specialist tasks, for example, exploration drilling. While the responsibility for compliance or the implementation of environmental controls is often passed to the contractor, the licence holder will retain accountability for compliance with its licence conditions and other compliance obligations.

No works were undertaken during the audit scope period. An assessment of contractor management for PEL427 was not undertaken.

## 4.3. Inspections, monitoring and evaluation

An effective inspection, monitoring and evaluation process is required to:

- monitor the implementation of the risk controls
- evaluate the effectiveness of those controls based on an assessment of inspection and monitoring data
- implement an adaptive management approach if monitoring shows that controls may be ineffective.

Santos developed a series of programs for inspection and monitoring to confirm the implementation and effectiveness of the management strategies to address compliance requirements, and controls to address risks. For PEL427, these programs included:

- environmental inspections
- rehabilitation inspections.

No onground works requiring inspection, monitoring or evaluation were undertaken on PEL427 during the audit scope period. Santos had systems and processes in place for its other petroleum titles which were to be implemented when further works were undertaken on PEL427.

## 5. Audit conclusions

From the evidence reviewed during the audit, it was concluded the exploration operations undertaken by Santos on PEL427 were well managed. Evidence was available to demonstrate comprehensive and robust systems and processes were developed to identify and manage compliance requirements. Records were maintained as required to demonstrate compliance.

Santos was compliant with the requirements of the exploration licence and regulatory requirements for the elements reviewed during the audit. No non-compliances were identified during the audit.

One observation of concern was identified as summarised in Table 2. One suggestion for improvement was identified as summarised in Table 3.

Table 2: Summary of observations of concern

Observation of concern No.	Description of Issue	Recommendation
1	The community consultation strategy title included the 6 petroleum titles that made up the wider Narrabri gas project. Records confirmed that the strategy was generally implemented on all 6 titles. However, it was noted the strategy was heavily focused on PEL238, particularly in the background section.	It was recommended Santos update the strategy to make it clear it applied to all 6 titles and included information specific to each title.

Table 3 Summary of suggestions for improvement

Suggestion for Improvement No.	Description of Issue
1	It was recommended that Santos review the community consultation risk assessment against the objectives for consultation such that the risk assessment can focus on the risks and opportunities that need to be identified and managed to facilitate an inclusive and effective consultation program.