



LAKES OIL N.L.

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Mr. Neale Burgess MP
Chairman
Economic Development and Infrastructure Committee
Parliament House
Spring Street
East Melbourne VIC 3002

Dear Mr. Burgess

Inquiry into greenfields mineral exploration and project development in Victoria

Thank you for the opportunity to make a submission to this inquiry.

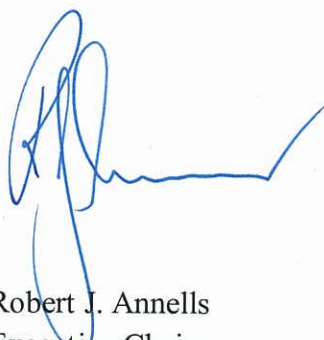
Lakes Oil makes the following comments drawing on its last 12 years of Petroleum Exploration in this state. During which time the Company has been virtually the only explorer onshore Victoria. We have spent \$80m in Victoria searching for Oil and Gas and at one time our exploration permits in Gippsland were close to 100% of the acreage under permitting in Eastern Victoria.

We have developed a new concept for recovery of gas from tight reservoirs in Australia and believe we have uncovered a major new gas resource for Victoria. Along the way we have encountered many frustrations and I will outline the major areas that the government should be addressing:

1. There is a lack of clarity in the Victorian Petroleum Act on the definitions of shale oil, shale gas and unconventional resources. This needs to be addressed urgently. The legislative definitional framework needs to be fully clarified and aligned with other States such as WA and SA.
2. Governmental instruction to the DPI appears to only cover regulation. In other states, particularly, South Australia, the equivalent of the DPI is instructed to facilitate as well as regulate – resulting in more activity being attracted to that state than Victoria.
3. Royalty – Currently 10% for onshore petroleum production. In Western Australia the royalty has been dropped in initial years, encouraging production onshore Perth Basin. Victoria should look at initial holiday of royalties to encourage and bring on line new production from high cost ‘Tight Gas’ in Gippsland.
4. “Red Tape” – Although the previous government made much of cutting ‘red tape’, it has in fact increased it substantially. The time now taken to get approval to explore has increased dramatically – not the fault of the DPI as they are only attempting to manage an over regulated industry.

5. Permits which are currently given a 5 year term are resulting in companies only having, at best, three wells drilled before they need to be forfeited or have permits reduced by 50%. If we are to stimulate the industry we need longer times for exploration, or less regulation. The current 5 year tenure - drop 50% - further 5 years - then vacate framework is not adequate for the exploration of unconventional resources.
6. Acreage. Large areas are required to bring unconventional resources into production. Materiality is paramount for economic development of these resources. There are numerous proven examples in USA and Canada.

Yours sincerely



Robert J. Annells
Executive Chairman
Lakes Oil NL