



DPI File 07/4374

Mr Paul Bilston
Lucas Energy Pty Ltd
Level 8, 160 Queen Street
MELBOURNE 3000

Dear Sir,

PEL285: Approval to drill, fracture stimulate, dewater and flow test coal seam methane exploration core holes LMG03, LMG04, LMG05, LMG06, LMG08 and Optional Well

In accordance with Condition 1 of PEL285 granted under the provisions of the *Petroleum (Onshore) Act 1991*, the titleholder is hereby granted approval to conduct the Stratford Pilot Project, subject to the conditions set out below. These conditions relate specifically to this approval. The conditions are in addition to those previously attached to PEL285 and prevail to the extent of any inconsistency. A breach of these conditions is an offence under the *Petroleum (Onshore) Act 1991*.

This approval is for a three year period. If the exploration holes are not fully rehabilitated within three years further approval will be required.

The Department's Titles Branch will contact you regarding the revised security for this Licence.

CONDITIONS

General conditions

1. The works must be carried out at the location(s) and in accordance with the methods contained in:
 - Review of Environmental Factors for Stratford Pilot Project (Document No. G-H-PEL285-REF-A-0705) submitted by Lucas Coal Seam Gas Pty Limited Ltd on 12 June 2007.

Except as amended by the following conditions.

Note that conditions under other headings may also have elements which must be fulfilled prior to drilling.

Well location data

2. The location and height (AHD) of each well collar must be determined to an accuracy of 1 metre and the position of the hole within all potentially mineable coal seams must also be determined to an accuracy of 1 metre. This information must be supplied to the satisfaction of the Department.

Water management

3. All produced formation water must be collected and stored in a secure manner which prevents leakage and contamination of soil, surface water and groundwater.

Well abandonment and site rehabilitation

4. At the completion of well testing, and prior to abandonment of the well, any steel casing must be removed from the vertical interval(s) encompassing all potentially mineable coal seams. Alternatively, glass-reinforced epoxy casing may be used across mineable coal seams subject to separate written approval of the Department.
5. Downhole logging and/or imaging of a quality acceptable to the Department must be used to confirm the removal or absence of steel casing through potentially mineable coal seams. All logs and information pertinent to this condition must be provided to the Department. Abandonment of the well must not proceed until written confirmation is received from the Department confirming that this condition has been satisfied.

Please contact the Team Leader - Coal & Petroleum of the Department's Titles Branch on (02) 4931 6456 in regards to the lodgement of the additional security requirement relating to this approval.

Should you wish to discuss any details of this approval, please contact Craig Campbell directly on (02) 6571 8788.

Yours Sincerely,



ELISE NEWBERRY
Assistant Director – Environment

DATE: 3 July 07