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## **Environmental Management System**

### **Public Statement 2007**

**May 2008**

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### 1. OVERVIEW

The Department For Business Enterprise and Regulatory Reform (BERR) require all United Kingdom Continental Shelf (UKCS) operators who have undertaken offshore operations to prepare an annual statement of their environmental performance, and to make that statement available to the public and to any other interested persons, in accordance with the requirements as set out in the OSPAR Recommendation 2003/5.

### 2. OPERATIONS SCOPE

The objective of this Environmental Statement is to provide the relevant information concerning the environmental performance of CalEnergy Gas Ltd's (hereafter CalEnergy) offshore operations during 2007.

Only those operations undertaken on UKCS Blocks where CalEnergy is the License Holder are reported below.

- CalEnergy is Exploration Licence Holder for Block 48/1a, Licence P1242

One exploration well, 48/1a-4, was drilled under this Licence between June and July, 2007.

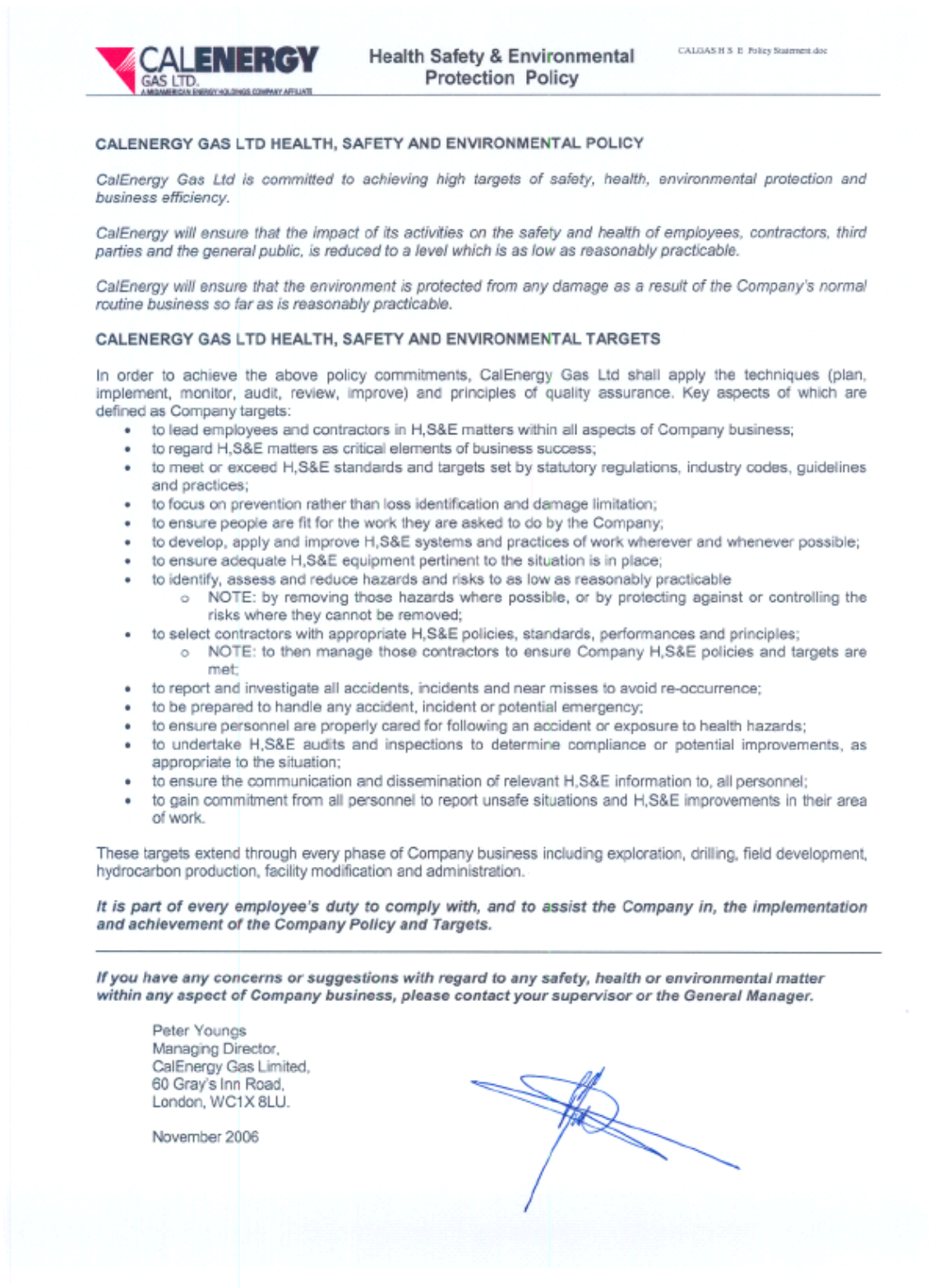
Previously CalEnergy had successfully operated the UKCS Anglia Field as CalEnergy Gas UK Ltd.

### 3. CALENERGY'S ENVIRONMENTAL MANAGEMENT SYSTEM

CalEnergy Gas Ltd is a London-based Mid-American Energy Holdings Company Affiliate, which is involved with exploration for gas on the UKCS.

CalEnergy has developed a Health, Safety and Environmental Management System (HS&E MS) to ensure safe, environmentally responsible and effective performance of all its activities. This management system is designed to ensure that all activities, whether onshore (in London Office) or offshore (temporary activities and facilities associated with seismic and drilling operations, etc.), are undertaken in accordance with the Company's HS&E Policy and Targets (Figure 1).

Figure 1 CALENERGY HEALTH, SAFETY AND ENVIRONMENTAL POLICY

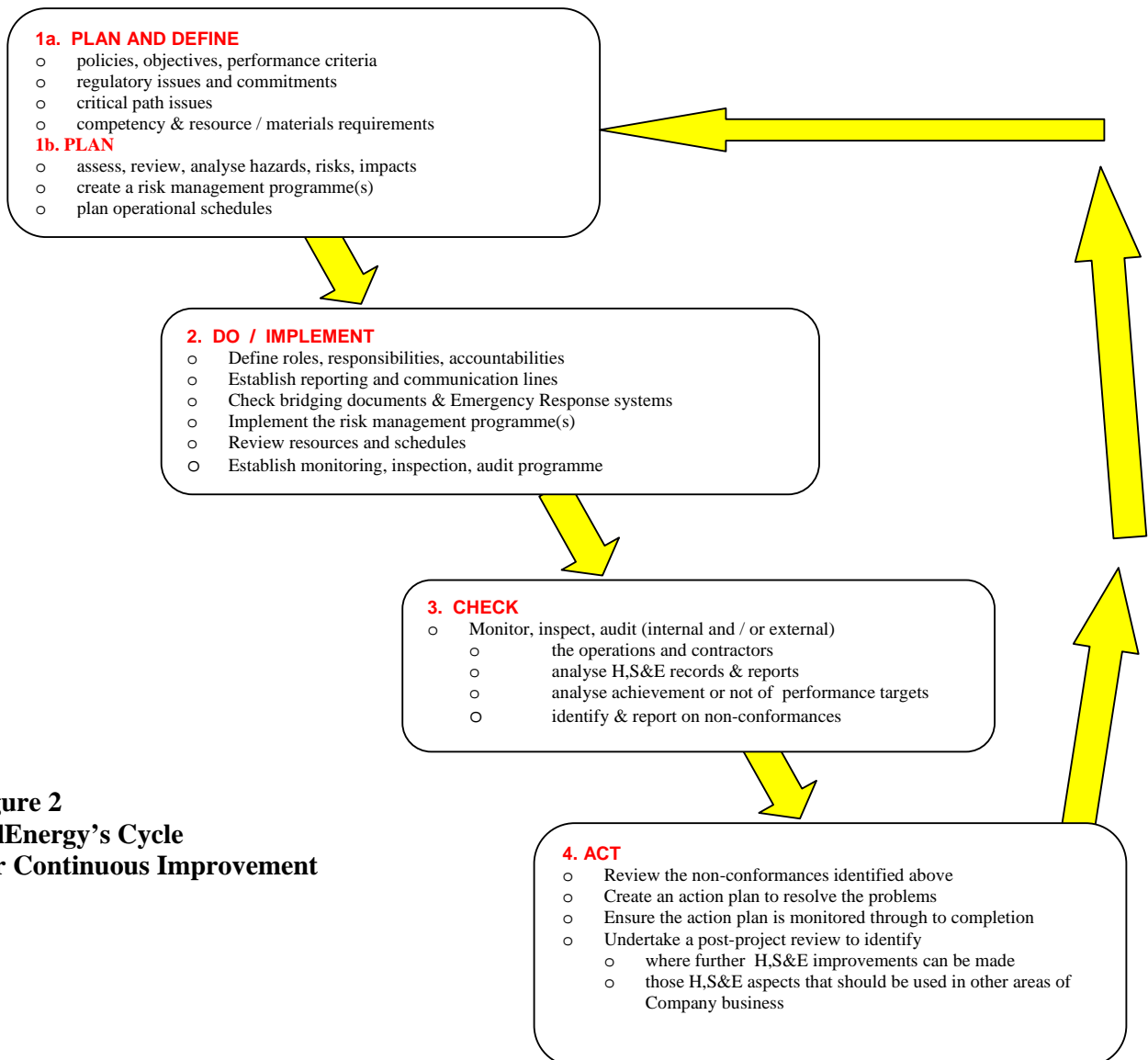


## H,S&E Management System Philosophy

CalEnergy's philosophy regarding the Management of Health, Safety and Environmental Protection is based on prevention and continuous improvement, rather than detection and correction.

The Company applies the principles 'Plan - Do - Check - Act' (shown diagrammatically in Figure 2 below) in all its operational activities and projects, and expects all project staff to undertake the following:

1. To define the project objectives and then to plan the activities in a systematic fashion, setting goals and performance targets and using risk assessments to identify key areas and items of high risk
2. To manage those activities In line with the philosophy of risk avoidance - using the structure and assessments defined above, ensuring appropriate interface documents are in place, ensuring agreed systems of work are being followed.
3. To monitor, inspect, record and report on their activities as appropriate, identifying areas which require improvement, endeavouring to continually improve performance.
4. To act to eliminate (or reduce) the H,S&E risks, to improve activities, ensuring remedial actions are completed; and to undertake, or assist with, any internal or external audit(s) to ensure that the H,S&E management systems are effective.



**Figure 2**  
**CalEnergy's Cycle**  
**For Continuous Improvement**

Critical parts of this cycle are the ‘end-of-operations reviews’ and the annual assessment of the Company’s operations during the previous year to identify areas where the Company could improve its environmental performance, a key commitment of CalEnergy.

As a small operator, CalEnergy uses contractors to undertake offshore activities. Management of these contractors, re H,S&E performance, is of key importance to the Company and to fulfilling its H,S&E MS commitments.

The HS&E MS is designed for this type of operational structure as exemplified by the 2007 operations, where a three-tier management system was in place (Figure 3 below).

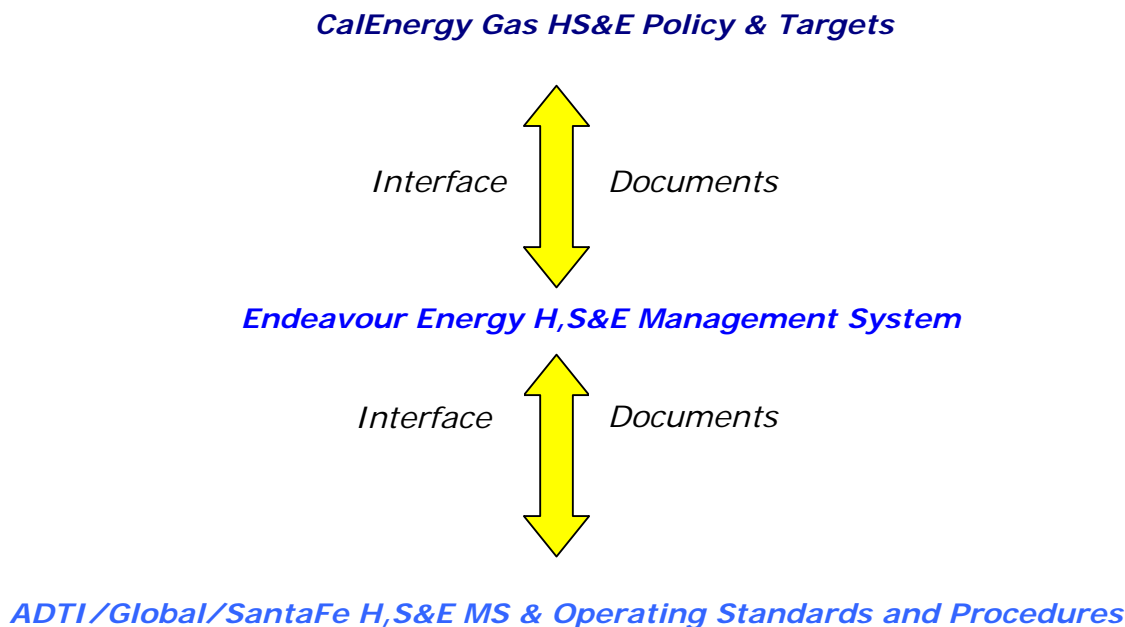
**4. ENVIRONMENTAL REPORTING RE 2007 OPERATIONS**

**Block 48/1a Specific**

The only UKCS activities in 2007 were associated with the drilling of exploration well 48/1a-4. All operations were conducted in line with the relevant PON 15 documents, which were agreed with the DTI and environmental groups before commencement of operations.

CalEnergy as Licence Holder, appointed (on behalf of the P1242 co-venturers) Endeavour Energy UK Limited to run the operations and Applied Drilling Technology International (ADTI) with Global/SanteFe to undertake the drilling operations on behalf of the Licence Group. CalEnergy remained responsible to the Department of Trade and Industry (DTI) for the environmental performance of the project.

**Figure 3 The Three-Tier Management System For Well 48/1a-4**



The Environmental Targets for the Well were supplied to all contractors and are shown below - the performance in relation to those targets is also provided.

<b>ENVIRONMENTAL TARGETS DURING DRILLING OF WELL 48/1a-4</b>	
<b>Targets set at Zero for Each subdivision</b>	<b>Performance</b>
No breach of environmental legislation	No breaches occurred
No Environmental Incident	No incidents occurred
No improper disposal any materials	No improper disposal occurred
No contravention of permits for allowable discharges	No permits contravened
No lack of control in use of materials	All materials controlled appropriately

## 5. COMPANY ENVIRONMENTAL GOALS AND TARGETS

The Annual Review of the Company's HS&E performance in 2007 has been performed in relation to the Company's HS&E MS - with reference to its Policy and Targets, compliance with legislation, and the effectiveness of its HS&E MS, in particular, the management of contractors and assessment of risks associated with the drilling project.

At the Annual Review, assessment of the performance of the three-tiered HS&E MS for well 48/1a-4 was completed and showed that this system had worked safely, efficiently and effectively, with the impact to the environment kept to as low as reasonably practicable (there were no environmental incidents).

All permits and consents were obtained in time, all environmental documents for the DTI and others completed appropriately.

CalEnergy were part of critical pre-well planning meetings, were kept informed at all stages of the operations, and involved in the post-well review.

All three EMS's were in accord and no offshore environmental performance issues were identified.

Company Environmental Targets, 2007 are shown overleaf together with results and updates for 2008

COMPANY ENVIRONMENTAL TARGETS 2007				2008
Requirement	Management Objectives	Targets 2007	Result 2007	Additional Targets
To comply with all external environmental regulatory requirements	Comply with all environmental legislation including OSPAR 2003/05 Ensure consultation with regulators & key contractors	Ensure legislation information is current Ensure consents are in place No prosecutions EMS audit	No prosecutions 2006/7 EMS audit incomplete due to lack of completed offshore operations	Submit EMS Public Statement re 2007  Complete full audit of EMS and verification as fully compliant with OSPAR 2003/5
To encourage all staff and contractors to perform to Company environmental policies and expectations	To inform/encourage all staff re 1. environmental legislation relevant to them 2. need to comply with Company policies and targets re the environment 3. personal environmental targets	All staff aware of 1, 2 Staff have personal environmental targets (3) and have personal copy of handbook outlining CalEnergy environmental policies Internal audit identifies staff aware	All staff aware All staff report on own targets & performance; all staff have handbook Internal audit performed	Encourage feed back from staff re Company environmental performance via annual review, line manager, &/or open door policy.
Prevention of Pollution through the effective management of contractors and key stakeholders	To ensure relevant persons are informed of CalEnergy H,S&E policy To ensure contractors have in place (and work to) appropriate: 1. EMS and safety case(s) 2. trained, competent personnel 3. risk assessment system(s) 4. operating & maintenance schemes 5. inspection, monitoring systems 6. operational & H,S&E reporting systems 7. incident & ER equip't, reporting, & investig'n proced's 8. interface documents	No failure in communication between CalEnergy and contractor No failure in communication, including reporting, between contractor and CalEnergy No failure in contractor's systems of work No pollution incident No unauthorised discharge during offshore operations No external audit required No intervention by CalEnergy required	No failures in communications between CalEnergy and contractors / key stakeholders  No failures in contractor's systems of work  No spills or environmental incidents; no unauthorised discharges  No external audit,, nor CalEnergy intervention required	Conduct full management review of H,S&E MS - in particular review contractor management and control in light of 2007 experiences
To strive to continually improve performance	Establish programme for any offshore operation  Monitor results during the offshore operation and Identify areas for improvement and set new targets for continued monitoring  Review performance at end of operations  Review Company operational performance at end of year – particularly re management of contractors and compliance with Company to its MS	Targets set re offshore operation & given to contractors Environmental monitoring programme in use offshore & in-house review of regular reports on activities Performance during offshore operations is maintained as appropriate and / or improves CalEnergy to review the end-of-well report Annual performance review to evaluate management of contractors & CalEnergy adherence to Company EMS	All offshore records and performance continually reviewed No environmental issues arose during drilling programme, no improvements identified End of well report reviewed carefully Annual performance review held in Jan 2008	Implement any findings from 2007 review