



Our ref: RF5925

Enquiries: Owen Bennett (08) 9144 0213

Att: Ian Yull  
Wheatstone Government Approvals Team Lead  
Chevron Australia Pty Ltd  
GPO Box S1580  
PERTH WA

Dear Mr Yull

***Onslow Water Infrastructure Upgrade Project (OWIUP) – Application for a 5C licence to take water from the Birdrong Aquifer***

I refer to Chevrons application for a 5C licence received by Department of Water (DoW) on 16 January 2013.

The Department notes that Chevron propose to use the Macedon deep well MDW4 currently licensed to BHP Billiton (BHPB) to supply up to 4ML/day of raw water to Water Corporations proposed desalination plant, to deliver an overall increase in capacity of 2ML/day of potable water supply for Onslow. It is also understood that this proposal relates to the Ashburton North State Development Agreement as part of the Wheatstone Project.

Chevron originally requested that DoW issue a 'letter of undertaking' to grant a 5C licence pursuant to Schedule 1, clause 9 of the *Rights in Water and Irrigation Act 1914*, pending further hydrogeological investigations and legal access to MDW4.

Following clarification by DoW on the policy for giving an undertaking to grant a 5C licence, further instructions were received by Chevron by email on 6 February 2013 to withdraw the request for a 'letter of undertaking and 5C application.

Instead, the DoW understands that Chevron are now seeking confirmation of the following:

1. *Endorsement that the testing outlined in the letter of 15 January is sufficient to demonstrate that the bore and aquifer are sufficiently understood to justify issuing a 5C licence and the result will provide DoW with all information required to identify any technical or sustainability issues that may preclude granting of a 5C licence:*
2. *Confirmation that should the results of the bore testing fail to identify any technical or sustainability issues with the proposed final bore use, the DoW do not foresee any impediments that would preclude the granting of a 5C licence to Chevron (assuming Chevron gains legal access to MDW4).*

**Endorsement of aquifer testing program**

The DoW has reviewed the Golder '*Birdrong Aquifer Water Source – Fatal Flaw Analysis Report*' and the proposed aquifer testing program and I confirm that the scope of the aquifer testing program is acceptable to the DoW at this stage.

Tests at maximum artesian flow rate, as proposed by Golders, will provide suitable data to model greater abstraction, however the DoW notes that the test will not be at the required delivery rate required by Chevron. The justification for not doing a test at demand pumping rate is that the pump costs would be considerable. The DoW therefore reserves the requirement to test at 4ML/day prior to final licensing. In any event demonstration that MDW4 can sustainably deliver 4ML/day is likely to be a due-diligence expectation of Water Corporation to prove reliability of supply.

As stated in the recently publically released draft *Pilbara groundwater allocation plan*, the available groundwater (allocation limit) in the Carnarvon – Birdrong resource within the Ashburton subarea of the Pilbara Groundwater Area, is currently set at 300,000 kL and is fully allocated. This allocation limit is able to be increased by the DoW subject to further hydrogeological work to be completed by Chevron, which aims to confirm that additional water can be taken sustainably from the aquifer.

The preliminary numerical modelling work completed by Golder Associates Pty Ltd on the Birdrong aquifer indicates that the current allocation limit could be reviewed upwards. The DoW will be in a position to complete the allocation limit revision subject to Chevron completing further detailed aquifer performance testing investigations and hydrogeological reporting to the DoW.

I wish to advise that Chevron's application is currently a priority application under the DoW's first-in-first-served policy. This means that a licence may be granted for up to 1.46 GL/annum (4ML/day) ahead of any subsequent applications for a water entitlement from the Birdrong aquifer, subject to a groundwater investigation program proving additional water may be taken sustainably and legal access being demonstrated. It is therefore recommended that Chevron do not withdraw the application for a 5C licence at this time and allow the application to remain pending. In light of this advice, Chevron are requested to provide confirmation of their intentions for the application within 30 days from the date of this letter.

As you are aware Chevron are currently authorised to take water from MDW4 under GWL171202 held by BHPB, through a clause 30 agreement instrument AGR176228. This authorises abstraction of up to 200,000kL/annum by Chevron from MDW4. Provided the volume of water taken for the pump test and all other authorised uses does not exceed the entitlement, no further licensing is required for the aquifer testing program. However, prior to commencement of the aquifer testing work Chevron shall supply DoW for approval, a disposal strategy for the aquifer test discharge water including location and management commitments to ensure that no impacts occur on the receiving environment.

As discussed during the meeting with DoW on 12 December 2012, an alternative licensing approach for Chevron to consider is the transfer of 5C licence GWL171202 currently held by BHP. Subject to the normal licence assessment processes for the transfer of a licence, if granted, would give Chevron an entitlement of 900,000kL/annum. Chevron may then apply to increase the entitlement supported by the results from the aquifer testing program.

Other considerations for Chevrons long term strategy must include environmental impact issues associated with brine disposal from the desalination plant. It is noted that investigations on this matter are pending completion. Consultation with DoW and other agencies regarding land use planning requirements and approvals are required for the treatment plant including brine disposal.

## Summary of approach for the grant of 5C licence

The DoW will issue Chevron with a 5C licence with an entitlement of 1.46 GL/a subject to the following:

1. Completion of the aquifer performance testing program as outlined by Chevron and a review of the results by DoW including updated modelling, confirming abstraction of 4ML/day from MDW4 is sustainable and will not result in any unacceptable impacts to the resource, the environment and other users;
2. If considered necessary by DoW upon review of the results from the aquifer testing at maximum artesian flow rate, Chevron shall carry out an appropriate pump test at the project demand rate of 46L/s (4ML/day) and the results submitted to the DoW for review.
3. DoW complete a review of the allocation limit for the Ashburton Birdrong resource supported by additional information obtained from Chevrons groundwater investigations;
4. Confirmation of legal access by Chevron to Lot 524 Onslow Road, Onslow and acquisition of production bore MDW4 from BHP;
5. Public advertising process of the application for a 5C licence to take water;
6. The issuing of a licence will remain subject to standard water licensing processes incorporating finalisation of operational documents by Chevron including an operating strategy and a hydrogeological report to the satisfaction of the DoW.

Should you have any questions regarding the above please contact Owen Bennett on (08) 9781 0123.

Yours sincerely



Hamid Mohsenzadeh  
Regional Manager  
Pilbara Region

20 February 2013