



Project Reference: 723.18034.00003

File Ref. Rhino Free State 294 ER Update Letter Jan 2016

PASA Ref: 12/3/294 ER

Week of 25 January 2016

**ATTENTION: LAND OWNER/STAKEHOLDER/IAP**

Dear Sir/Madam

**UPDATE ON SCOPING AND EIA PROCESS: APPLICATION FOR ENVIRONMENTAL AUTHORISATION WITH REGARDS AN EXPLORATION RIGHT FOR PETROLEUM ON VARIOUS FARMS IN THE MAGISTERIAL DISTRICTS OF FRANKFORT, HARRISMITH, HEILBRON, KROONSTAD, LINDLEY, REITZ, SENEKAL, VENTERSBURG & VREDE IN THE FREE STATE, MPUMALANGA & GAUTENG PROVINCES (12/3/294 ER)**

**Introduction:**

As you are aware Rhino Oil and Gas Exploration South Africa (Pty) Ltd (Rhino Oil & Gas) has lodged an application for an exploration right to the Petroleum Agency South Africa (PASA) in terms of section 79 of the Minerals and Petroleum Resources Development Act (28 of 2002) (MPRDA) over properties across much of the Free State Province (Ref: 12/3/294 ER). Rhino Oil & Gas subsequently made an application to PASA for environmental authorisation of exploration activities as set out in Listing Notice 2 (GN R 984), made in terms of Section 24(5) of the National Environmental Management Act (107 of 1998) (NEMA).

SLR Consulting (Pty) Ltd has been appointed as the independent environmental assessment practitioner and is undertaking the required environmental assessment and public participation process. The application is subject to a scoping and Environmental Impact Assessment (EIA) process that is being undertaken in terms of the EIA Regulations 2014 (GNR 982, 8 December 2014).

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**SABS**  
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**Proposed Exploration Activities:**

Details of the proposed exploration work programme, a map of the exploration area, list of included farms and information on the scoping and EIA process are included in the project's Background Information Document which is publically available at <ftp.slrconsulting.co.za>

Username: 1013151012 Password: wiutgf783e32 or on request from SLR.

In this application Rhino Oil & Gas has only applied for approval to undertake early-phase exploration for oil and gas which might be located within suitable geological strata. The purpose of the work would be solely to determine the presence of any possible petroleum resource which could be investigated further. The initial 3-year exploration work programme will be restricted to non-invasive techniques, as well as seismic surveys and the drilling of less than 10 core boreholes.

**Fracking or Not?**

No hydraulic fracturing (fracking) is proposed in the 3-year exploration work programme. Rhino Oil & Gas have stated that there is not currently enough information to determine what techniques might be required for future gas extraction. If a resource was identified and subsequently proven to be commercially viable, then hydraulic fracturing could be one of the potential techniques for gas production. However, a lot of investigation, multiple environmental assessments and authority approvals would be required before reaching that point.

If the early-phase exploration were to confirm the presence of a potential resource, then Rhino Oil & Gas would need to seek further approval from PASA for the additional exploration work required to investigate this. Any further approval would be subject to an additional environmental assessment process with further public consultation. Similarly if the later exploration led to the discovery of a commercial resource suitable for development then Rhino Oil & Gas would need to secure a production right from PASA. Any application for a production right has to be subject to an environmental assessment process with further public consultation. Approvals are also likely to be required by other legislation.

All future exploration work or production operations that may arise, if resources are discovered, is therefore beyond the scope of the current scoping and EIA process.

**Notification and Consultation:**

Notification to and consultation with interested and affected parties (IAPs) commenced in September 2015. A series of public meetings were held in towns across the region in October 2015. A draft scoping report was also made available for review in October 2015. The public participation process to date has elicited significant response to the exploration right application. Overall the public response was very much opposed to the exploration right application and this has been documented. The issues that have been raised are too numerous to elaborate on in this

letter<sup>1</sup>, but included various calls for further consultation and a demand that more time be allowed in the scoping and EIA schedule<sup>2</sup>. SLR consulted with PASA on five key issues that were material to the overall application and the scoping and EIA process. These are summarised below:

Issue 1: Most persons participating in the EIA process stated their opposition or lodged an objection. Many of the objections were made with reasons relating to production and fracking. It is clear that the EIA process will not be able to resolve such objections. What mechanisms exist for these objections to be addressed?

Issue 2: Most IAPs have demanded that the current EIA process present details on production and undertakes an assessment of potential production (including fracking) related impacts, even though the current application does not cover further exploration or production. What is PASA's instruction with regards the scope of the current EIA?

Issue 3: Many IAPs have asked why the current Karoo Strategic Environmental Assessment (SEA) is not applicable to all areas of South Africa. Moreover, the IAPs have demanded that all exploration right applications and related EIA processes be stopped until the SEA is complete. What is PASA's response in this regard?

Issue 4: Most IAPs have argued that the time available in the current EIA schedule is insufficient to allow for the required public consultation for an application area of such large extent. Will PASA grant an extension of time within the EIA process to allow the project to respond to these issues and adjust the public participation process accordingly?

Issue 5: IAPs have raised the concern that many sites within the application areas are either protected outright or incompatible with exploration and/or the production of oil and gas and that legislation prevents such work from taking place in these areas. The question has been asked "why undertake an EIA to obtain exploration rights in areas where any gas, if it were to be found, would not be able to be extracted because of the restrictions imposed by protected area legislation and Regulation 122 of the Petroleum Regulations (GN R 466 of 2015) relating to the location of wells?". The demand is that the application be stopped, all of the future non-compatible/unlawful areas removed and then a new EIA be commenced for the revised area. What is PASA's response in this regard?

The response received from PASA to the queries is attached to this letter. The application and the scoping and EIA process will be undertaken in accordance with the guidance from PASA. In order to incorporate further public interaction and investigation to augment the scoping process, SLR applied to PASA for an extension of time. In December 2015 PASA granted an extension for the

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<sup>1</sup> All comments and issues that are submitted by IAPs are being captured and will be contained in the scoping report.

<sup>2</sup> The schedule for a scoping and EIA process is constrained by timeframes detailed in Part 3 of the EIA Regulations (GNR 982, 8 December 2014)

scoping process, with the requirement that the final scoping report be submitted to PASA by the 20<sup>th</sup> of April 2016.

SLR is currently busy with various activities to augment notification of and consultation with stakeholders and elicit responses from interested and affected parties whom are representative of the application area. The objective is to ensure that the consultation is broad enough to produce a draft scoping report that identifies the key issues that will need to be addressed in the assessment phase. SLR is continuing to consult with stakeholders through a range of focussed meetings, additional communications and information sharing. Meetings are being arranged with the local municipalities, farmers unions and other land owner representatives.

Interested and affected parties are advised that a revised draft scoping report will be made available for a 30 day review period. A further notice in this regard will be distributed when the revised report is available. All comments and issues raised by IAPs as well as minutes of all the meetings that were held will be included in the revised draft scoping report.

#### **Application area:**

SLR has been advised by Rhino Oil & Gas that they are reviewing the application area (currently under revision by their surveyors). The revision will exclude all properties where the granting of an exploration right is prohibited by Section 48 of the MPRDA including:

- , as per section 48 of the Protected Areas Act (57 of 2003), special nature reserves, national parks, nature reserves, protected areas or protected environments (including world heritage sites, marine protected areas, specially protected forest areas, forest nature reserves and forest wilderness areas)
- land comprising a residential area;
- any public road, railway or cemetery;
- any land being used for public or government purposes or reserved in terms of any other law; or
- areas identified by the Minister by notice in the Gazette in terms of section 49 of the MPRDA.

Rhino Oil & Gas has also advised SLR that they will not be excluding properties or areas where a constraint may restrict exploration activity (current or future), but does not specifically prohibit the granting of an exploration right. Rhino Oil & Gas will, however, ensure that all of their activities are undertaken in a lawful and environmentally responsible manner. It is the role of the environmental process to identify all such constraints and restrict or prohibit exploration activities through documented management commitments. An example of a constraint which prohibits specific exploration activities in certain areas, but does not prohibit the granting of a right is Sections 122

(2) and (3) of the Regulations on Petroleum Exploration and Production (GN R 466, June 2015). SLR will identify and document these constraints in the EIA.

**Summary:**

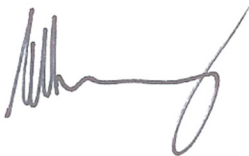
The environmental assessment process of the application for an exploration right by Rhino Oil & Gas over properties in the Free State (Ref: 12/3/294 ER) is still in the scoping phase. The primary objective of the scoping process is to identify the key issues that need to be addressed in the assessment phase that will follow. It is to be noted that the purpose of the scoping phase is not to provide answers to all the issues that arise, but rather to document these and ensure that the level of assessment required, will be undertaken in the EIA.

To date, IAPs have raised many issues and strong objection to the project. The scoping and EIA process is adapting to responses and the guidance from PASA on the key issues. Consultation with potentially interested and affected parties is ongoing and work to augment notification of and consultation with stakeholders is being undertaken.

The results of the current process, including details of the issues and objections will be documented in a revised scoping report. Once completed, a revised draft scoping report will be made available to interested and affected parties for a 30 day review period.

Please pass this letter onto any other persons whom you know may have an interest in the project. We welcome any comment or questions. Thank you for your ongoing involvement in the scoping and EIA process.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Matthew Hemming', with a stylized flourish at the end.

**Matthew Hemming**

MSc (Conservation Biology)

Environmental Assessment Practitioner