



Annual Report

on

PRODUCTION OPERATIONS

in

PPL 204 (Sellicks)

PPL 205 (Christies / Silver Sands)

PPL 210 (Aldinga)

PPL 212 (Kiana)

PPL 220 (Callawonga)

PPL 224 (Parsons)

FOR THE PERIOD

1st January 2008 to 31st December 2008

Cooper / Eromanga Basin
- South Australia -

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1 Introduction

As at December 31, 2008, Beach Petroleum Limited operates six Petroleum Production Licences in the South Australian sector of the Cooper Eromanga Basin.

PPL 204 was granted to Beach Petroleum and its partner, Cooper Energy, on September 11, 2003, to authorize ongoing oil production from the **Sellicks** field. Production from the field commenced in November 2003.

PPL 205 was granted to Beach Petroleum and its partner, Cooper Energy on October 11th, 2004, to authorize ongoing oil production from the **Christies** field. The area of PPL 205 was amended in August, 2007 (see below) to include production from the Silver Sands-1 well, which had been producing oil as an Extended Production test since August 2006.

PPL 210 was granted to Beach Petroleum and its partner, Magellan Petroleum on December 23, 2004, to authorize ongoing oil production from the **Aldinga** field.

PPL 212 was granted to Beach Petroleum and its partners, Magellan Petroleum and Great Artesian Oil and Gas, on January 23, 2006 to authorize ongoing oil production from the **Kiana** field.

Oil production commenced at the **Callawonga** field on 18 November, 2006 as Extended Production Testing of the Callawonga-1 well. **PPL 220** was subsequently granted to Beach Petroleum and its partner, Cooper Energy, ten months later, on 14 September, 2007, to authorize ongoing oil production from the Callawonga field.

Oil production commenced at the **Silver Sands** field in August, 2006, under a six-month Extended Production Test (EPT). Beach applied for a Production Licence over the Silver Sands field in February, 2007. In March, 2007, PIRSA approved an extension of the EPT until August, 2007, when the Application area (PPLA219), was amalgamated with adjacent **PPL 205** (Christies field).

In 2006, PIRSA granted approval for Extended Production Testing at two potential gas fields in PEL 106: **Udacha and Middleton**. The EPTs did not confirm current economic viability of the fields as gas producers, and there was no further production testing activity at either field during 2008.

Oil production commenced at the Parsons field in June 2008 as Extended Production Testing of the **Parsons-1** discovery well, drilled in November 2007, and the **Parsons 2** appraisal well that was drilled in March 2008. **PPL 224** was granted to Beach Petroleum and its Joint Venture partner Cooper Energy, 4 months later on 9 October 2008.

This Annual Report details the work conducted at the fields mentioned above for the twelve months from January 1st, 2008 until December 31, 2008 in accordance with Regulation 33 of the Petroleum Act 2000.

1.1 Associated Facilities Licences

AFL 18 was granted on 13 April 2005 as a secondary licence to PPL 205 (Christies field). The area covered by the AFL is approximately 2.1 sq kilometres. The AFL was awarded for the expansion and operation of a dewatering facility at Christies.

AFL 82 was granted on 30 January 2007 as a secondary licence to PPL 205 (Christies field). The area covered by the AFL is approximately 1.97 sq kilometres. The AFL was granted as a storage area for materials and equipment on vacant land.

AFL 98 was granted on 14th November 2007 as a secondary licence to PPL 220 (Callawonga field). The area covered by the AFL is a corridor, 50 metres wide straddling the route of the flowline to connect the Callawonga oil field to the Tantanna unloading facility via the Christies oil field. The AFL will provide ongoing access for maintenance of the buried flowline for the life of the fields. The flowline was commissioned on 8 August 2008.

AFL 128 was applied for as a secondary licence to PPL 205 (Christies field) and granted on 5 February 2008. The AFL was required for construction and operation of the end of line and fiscal metering facilities associated with the above flowline and the Tantanna unloading terminal. The area covered by AFL 128 is 0.49 hectares.

AFL 146 was granted on 9 October 2008 as a secondary licence to PPL 224 (Parsons). The area covered by the AFL is approximately 0.62 sq kilometres. The AFL was granted to allow the joint venture to carry out the construction and operation of a flowline between PPL 224 (Parsons field) and PPL 220 (Callawonga field).

2 Licence Summary

Production Licences **204** (Sellicks), **205** (Christies and Silver Sands), **220** (Callawonga) and **224** (Parsons) are located within PEL 92, and each has the following interests:

Beach Petroleum Ltd (Operator)	75%
Cooper Energy NL	25%

Production Licence **212** (Kiana) is located within PEL 107, and has the following interests:

Beach Petroleum Ltd (Operator)	40%
Magellan Petroleum	30%
Great Artesian Oil and Gas	30%

Production Licence **210** (Aldinga) is located within PEL 95, and has the following interests:

Beach Petroleum Ltd (Operator)	50%
Magellan Petroleum	50%

There have been no farmin agreements or changes of Operator since these Production Licences were awarded. There have also been no suspensions applying to any of these Licences since they were awarded.

3 Regulated Activities

3.1 Drilling and Related Activities

PPL 204 (Sellicks field)

No drilling activities were undertaken at the Sellicks field during 2008.

PPL 205 (Christies field)

No drilling activities were undertaken at the Christies field during 2008.

PPL 210 (Aldinga field)

No drilling activities were undertaken at the Aldinga field during 2008.

PPL 212 (Kiana field)

No drilling activities were undertaken at the Kiana field during 2008.

PPL 220 (Callawonga field)

Two wells, Callawonga-5 and Callawonga-6 were drilled during December 2008. Details of the two wells are provided in **Tables 1 and 2**. The drilling of Callawonga-6 carried over into January 2009 (rig release 3 January).

PPL 224 (Parsons field)

No drilling activities have been undertaken at the Parsons field since PPL 224 was awarded. The Parsons-2 oil field appraisal well, the most recent well on the field, was drilled in March 2008, prior to the PPL being awarded.

Table 1 Well Details Callawonga- 5

Well Name	Callawonga - 5
Type of well	Development
Contractor	Hunt Energy & Mineral Company Australia Pty Ltd
Date Spudded	14 December 2008
Status	Completed as a future oil producing well
Evaluated hydrocarbon pay	4.0 metres net
Cased / suspended date	22 December 2008
Rig release date	22 December 2008
Pad construction	Earthworks initiated 7 November, 2008
Track construction	Earthworks initiated 7 November, 2008. Short survey road used to access well site.
Borrow Pit construction	New borrow pits were required for this construction.
Formations intersected	The depths at which each of the formation tops was intersected will be provided to PIRSA in the Well Completion Report, which will become 'open file' in December, 2010.

Table 2 Well details Callawonga-6

Well Name	Callawonga - 6
Type of well	Development
Contractor	Hunt Energy & Mineral Company Australia Pty Ltd
Date Spudded	27 December 2008
Status	Completed as a future oil producing well
Evaluated hydrocarbon pay	9.5 metres net
Cased/suspended date	3 January 2009
Rig release date	3 January 2009
Pad construction	Earthworks commenced 6 December, 2008
Track construction	Earthworks commenced 6 December, 2008; short track to rig pad constructed off main road
Borrow Pit construction	New borrow pits were required for this construction.
Formations intersected	The depths at which each of the formation tops was intersected will be provided to PIRSA in the Well Completion Report, which will become 'open file' in January, 2011

3.2 Seismic Data Acquisition

Portions of the greater 332 km² Modiolus 3D seismic program acquired in PELs 92 and 91 in 2008 extended within PPL 220 (Callawonga) and PPL 224 (Parsons). Details of this survey have been provided in the Annual Report that was prepared for PPL 92. The Modiolus Survey was acquired through Terrex Seismic Pty Ltd from 30 May 2008 to 20 July 2008. The Modiolus Survey was acquired for exploration purpose and not field development purpose.

3.3 Seismic Data Processing / Reprocessing

The Neritus 3D seismic survey, portions of which were acquired over the Parsons, Christies and Silver Sands fields in late 2006 and early 2007, was reprocessed by WesternGeco in 2008 as part of a merging of the Modiolus and Neritus data volumes. Processing of the Modiolus Survey was also carried out by WesternGeco.

3.4 Geochemical, Gravity, Magnetic and other surveys

There were no other geological, geophysical or geochemical surveys conducted in the areas of the Beach Petroleum operated Cooper Basin Production Licences during 2008.

3.5 Production and Processing

The production activities undertaken in each field during the reporting period are summarised in **Table 3** below. No processing activities were undertaken by Beach.

Table 3 Production Activities Summary; Beach Petroleum Operated Production Licences

PPL 204	SELLICKS FIELD
<i>Maintenance Activities :</i> On-going maintenance of roads and scheduled maintenance of facilities.	
<i>Emergency Response Exercises :</i> Emergency Response Exercise last carried out in December 2007. Emergency Response Exercises have been scheduled for Beach operated Cooper Fields in 2009 as part of our OHS objectives; dates not finalised. Beach Petroleum Ltd company wide procedures updated through the year. Emergency response trailer purchased to enable faster response time to personnel and environmental incidents. Radio network upgrade in progress to improve coverage for operator safety.	
<i>Associated Activities :</i> No activity undertaken.	

PPL 205	CHRISTIES FIELD
Maintenance Activities : On-going maintenance of roads and scheduled maintenance of facilities.	
Emergency Response Exercises : Combined Emergency Exercise for all facilities was conducted in December 2007. Emergency Response Exercises have been committed for Beach operated Cooper Fields in 2009 as part of our OHS objectives; dates not finalised.	
Associated Activities : <ul style="list-style-type: none"> • Work over conducted on Christies-3 to repair a hole in the tubing and enable production to be switched from the Namur Formation to the Birkhead Formation. • Improved oil skimming equipment installed. • AFL 128 Tantanna was granted in February 2008; associated end of line facilities in relation to the Callawonga to Tantanna flowline, including export pump and custody transfer metering, was completed and commissioned. 	

PPL 210	ALDINGA FIELD
Maintenance Activities : On-going repair of road.	
Emergency Response Exercises : Combined Emergency Exercise for all facilities was conducted in December 2007. Emergency Response Exercises have been committed for Beach operated Cooper Fields in 2009 as part of our OHS objectives; dates not finalised.	
Associated Activities : No activity undertaken.	

PPL 212	KIANA FIELD
Maintenance Activities : On-going maintenance of jet pumping surface equipment.	
Emergency Response Exercises : Combined Emergency Exercise for all facilities was conducted in December 2007. Emergency Response Exercises have been committed for Beach operated Cooper Fields in 2009 as part of our OHS objectives; dates not finalised.	
Associated Activities : No activity undertaken.	

PPL 220	CALLAWONGA FIELD
Maintenance Activities : On-going maintenance of road and scheduled maintenance of facilities.	
Emergency Response Exercises : Combined Emergency Exercise for all facilities was conducted in December 2007. Emergency Response Exercises have been committed for Beach operated Cooper Fields in 2009 as part of our OHS objectives; dates not finalised.	
Associated Activities : <ul style="list-style-type: none"> • Flowline construction from Callawonga to Tantanna was completed and commissioned. • Original free form evaporation area was extended. • Additional free form evaporation area (Callawonga West) commissioned including transfer pump and one kilometre poly-pipe connection from the existing holding pond area. • Production facilities expanded with an additional dewatering separator and production tank. • Jet pumping artificial lift surface equipment, including a header tank, installed at the production facilities and power fluid lines run to Callawonga-2 & -3. A beam pump was installed at Callawonga-4. Callawonga-2 cement job repaired to isolate aquifer flow behind casing. • Callawonga-5 and -6 development wells drilled in December 2008. 	

PPL 224	PARSONS FIELD
Maintenance Activities : Regular scheduled maintenance.	
Emergency Response Exercises : A new field in 2008, to be included in next full exercise scheduled in 2009.	
Associated Activities : <ul style="list-style-type: none"> • Parsons EPT facility constructed, including flowlines, evaporation pond, and access track and EPT conducted. • PPL awarded. • Parsons-2 appraisal well drilled and connected. • ESP installed and operational in Parsons-1. • Production facility expanded adding an additional dewatering separator and storage tank resulting in a total of 3 tanks and 2 separators. • Flowline constructed linking Parsons to the Callawonga facility and export line to Tantanna. • Haul road from Parsons to Callawonga was constructed. 	

3.6 Pipeline / Flowline Construction and Operation

Beach operates two buried flowlines, both of which were commissioned in 2008.

The 47 km Callawonga - Tantanna flowline was commissioned on 8th August 2008, connecting Beach operated fields on the western flank of the Cooper Basin with Moomba via Santos' Tantanna facility. The 5" GRE buried flowline, which has a 9 km tie-in of the Parsons oil field, will ultimately have a 6000 bopd capacity. The construction of the flowline reduced dependence on roads and truck availability and provides significantly reduced transportation costs.

Construction of the 9 km flowline from the Parsons Field to Callawonga Oil Facility began on 29th July 2008. The flowline was commissioned on the 28th November 2008

First oil through the flowline was in August and in December 2008 production through the flowline to Tantanna averaged 5107 bopd. Adtech FRP Pty Ltd were contracted to complete the installation work.

A grader and bulldozer were used to clear the right-of-way prior to the laying and burying of the pipe. Vegetation and topsoil were stockpiled separately along the right-of-way. The spoil excavated by the trenching machine was also stockpiled on the right-of-way.

Most of the pipe was laid using 'over- the- trench' assembly machines. Sidebooms or excavators were used to lower pipe into those sections of the trench which required deeper excavation. Trench spoil was returned in to the trench and compacted.

Flowline integrity was verified using hydrostatic testing in accordance with AS 2885.5. The easement has been re-contoured to match the surrounding landform and erosion controls were constructed where appropriate.

Warning signs were erected along the easement as per AS 2885.1-1997.

Newly constructed above ground flowlines:

Connecting Parsons-1 & -2 wells to the Parsons EPT facility. The Parsons-1 flowline is approximately 500m in length, the Parsons 2 flowline approximately 1300m in length. Parsons-1 was connected in June, 2008; Parsons-2 in September 2008.

The Callawonga -4 flowline was installed in May 2008. The approximate length of the flowline is 1100m.

The Christies-4 flowline was reconfigured to a free flow production flowline routed directly to Christies production facility. About 150m of production flowline was rerouted. Work was completed in December 2008.

The routes of all the flowlines were selected to minimise disturbance to local vegetation during construction and to facilitate ongoing monitoring and inspections. The routes are adjacent to access roads but set away from the edge of the road to minimise the risk of vehicle impact.

Environmental assessments were carried out as part of the approval process prior to the construction of the flowlines. On-ground environmental assessments are conducted by

appropriately experienced personnel, these take into account the minimising impacts to native vegetation and habitat.

Post construction assessment shows that where possible, areas with low vegetation density have been utilised for flowline corridors. Recent rains have resulted in the emergence of seedlings along sections of the corridor and surface drainage profiles have generally been restored to be consistent with adjoining land.

3.7 Preliminary Survey Activities

PSL-18 was granted on 27 August 2007 to provide the Joint Venture with the authority to access areas outside of PEL 92, in order to conduct a preliminary survey for a proposed oil flowline from Beach's Callawonga Oilfield to Santos' Tantanna unloading facility. The PSL area formed a corridor approximately 5 kilometres wide, straddling the route of the proposed flowline.

PSL 18 is now relinquished; the Annual Report for the licence year was submitted on 31st October 2008, within the 10 day extension period granted to the Joint Venture.

There were no instances relating to PSL 18 during 2008 in which the Joint Venture failed to comply with the requirements of the Licence, the Petroleum Act 2000 and its Regulations, and the Statement of Environmental Objectives for Pipeline Preliminary Survey Activities in South Australia.

4. Compliance Issues

4.1 Licence and Regulatory Compliance

Pursuant to Regulations 33(2) (b) & (c), an annual report must include:

“a report for the year on compliance with the Act, these regulations, the licence and any relevant statement of environmental objectives;” and

“a statement concerning any action to rectify non compliance with obligations imposed by the Act, these regulations or the licence, and to minimize the likelihood of recurrence of any such non-compliance.”

There were several instances during the reporting period in which Beach failed to comply with either the requirements of the Petroleum Act 2000 and its Regulations, or the objectives of its Statement of Environmental Objectives, under which it conducts its Cooper Basin oil production operations.

Detailed information on the individual instances of non-compliance are provided below in designated sections.

4.2 Petroleum Act and Regulatory Non-Compliance

The instances during the reporting period in which Beach failed to comply either with the Petroleum Act 2000, or its Regulations, are listed in **Table 4** below:

Table 4 List of Petroleum Act and Regulatory Non-compliances for Current Reporting Year (2008).

No.	Date	Activity	Details of Non-Compliance	Rectification of Non-Compliance
<i>Non-compliance with the Act</i>				
The six licences operated by Beach Petroleum remained compliant with respect to the <u>Petroleum Act 2000</u> .				
<i>Non-compliance with the Regulations</i>				
<i>Ex. 1</i>	02/05/08	<i>Landholder notifications</i>	Received advice that land owner notifications for Modiolus 3D survey were non compliant due to omitting GEL & EL operations.	<i>Reported in Annual Report for PEL 92.</i> <i>The two stakeholders, AAA Energy and TC Development, who hold (non-petroleum) tenements over PEL 92, have subsequently been included in Beach's Notification system as requiring Notice of Entry advice prior to the commencement of Regulated activities in PEL 92 and included PPLs.</i>
<i>Ex. 2</i>	17/09/08	<i>Submission of Down Hole Diagrams were late.</i>	Parsons-2 Down Hole Diagram was submitted 7 weeks late. Callawonga-4 Beam Pump Down Hole Diagram was submitted 21 weeks late. Reports are required to be submitted within two months of installation or alteration.	The submission of the Down Hole Diagrams was overlooked due to a misunderstanding during 'handover' of responsibilities between office staff.
<i>Ex. 3</i>	25/02/08	<i>Submission of Callawonga-2 Cement Bond Log was late.</i>	Wireline logs were due to be submitted to PIRSA on 9 November 2007. Main part of suite was submitted on 2 November 2007; the CBL was not submitted until 25 February 2008.	Schlumberger submitted CBL separate to balance of wireline suite and CBL log was inadvertently omitted from initial log transmission to PIRSA. Process now in place to avoid future repeats

4.3 Compliance with Statement of Environmental Objectives (SEO)

4.3.1 Drilling

Government approval for Beach to drill the **Callawonga-5 and Callawonga-6** appraisal wells was conditional on Beach committing to achieving the objectives defined in the “Statement of Environmental Objectives for Drilling and Well Operations in the Cooper / Eromanga Basins – South Australia (SEO)“.

As both wells are now on production, the full assessment of Beach Petroleum's performance in achieving the SEO objectives cannot be completed until the well sites have been rehabilitated. Beach is satisfied, however, that it has met all the other objectives required by the SEO for the drilling operations on these wells. **Table 5** summarises the strategies that were employed to achieve this compliance.

Compliance with Statements of Environmental Objectives

Table 5: Compliance with "Cooper Basin Drilling and Well Operations Statement of Environmental Objectives - November 2003"

Objective	Assessment Criteria	Compliant / Non-Compliant	Comments
<p><u>Objective 1:</u> <i>Minimise the risk to public and other third parties.</i></p>	<ul style="list-style-type: none"> ▪ Reasonable measures implemented to ensure no injuries to the public or third parties. 	<p><i>Compliant</i></p>	<p>The design and operation of the wells were undertaken in accordance with Beach safety policies, standards and guidelines.</p> <p>All employees undertook a safety induction prior to commencing work in the field and will undertake refresher courses if/when required.</p> <p>The two wells were all located within one kilometre of the existing production pad around Callawonga-1, which can be accessed only via a no-through road built by Beach specifically for access to this field. Tourists are not authorised to travel along this company road.</p> <p>Signage was erected along the haul road to the Callawonga facilities to advise that only authorised personnel are permitted on to the well site.</p> <p>Beach 'Permit to Work' system was in operation during the drilling operations to control potentially dangerous situations.</p> <p>Accident / incident reporting systems were in place as defined in the Beach Drilling Operation Manual. Records are reviewed regularly to assess trends.</p> <p>Beach Safety Management Plans are updated and reviewed on a regular basis.</p> <p>Appropriate PPE was issued to all personnel involved in the drilling operations.</p>

TABLE 5 : Compliance with "Cooper Basin Drilling and Well Operations SEO - November 2003" (Continued)

Objective	Assessment Criteria	Compliant / Non-Compliant	Comments
<p>Objective 1: <i>(Continued)</i></p>		<p><i>Compliant</i></p>	<p>An Emergency Response Plan (ERP) Bridging document was prepared for the Callawonga drilling operations and all personnel involved in the operations were aware of the Emergency Response Plan. No situation arose that required the implementation of the Plan.</p> <p>Beach undertakes regular ERP exercises at selected drilling operations.</p> <p>Beach maintained regular contact with landholders and associated stakeholders during the drilling operations at each site.</p>

TABLE 5 : Compliance with "Cooper Basin Drilling and Well Operations SEO - November 2003" (Continued)

Objective	Assessment Criteria	Compliant / Non-Compliant	Comments
<p><u>Objective 2 :</u> Minimise disturbance and avoid contamination to soil.</p>	<p><u>Well Site and Access Track Construction</u></p> <ul style="list-style-type: none"> ▪ 0, +1 or +2 GAS criteria are attained for "Minimise visual impacts of abandoned well sites and access tracks" objective as listed in Appendix 4 for well lease and access track construction. ▪ No unauthorised off-road driving or creation of shortcuts. ▪ No construction activities are carried out on salt lakes, steep tableland land systems or wetlands land systems (as defined in EIR). <p><u>Borrow pit construction and restoration</u></p> <p>0, +1 or +2 GAS criteria are attained for "Minimise Visual Impacts for constructing borrow pits" objective as listed in Appendix 3, and "Minimise visual impacts" and "Minimise impact on soil" objectives as listed in Appendix 5.</p>	<p><i>Non-Compliant</i></p>	<ul style="list-style-type: none"> • The two Callawonga well sites were constructed in accordance with the guidelines outlined in Guidelines for Lease Construction and Restoration. • Topsoil was stockpiled for subsequent respreading when restoration activities are conducted. • Vehicle movements were strictly limited to the defined access tracks and well pad areas – areas which had been given cultural heritage clearance for the drilling operations. • Earthmoving contractor's dozer passed through an uncleared area on the way to the Callawonga drill site. Contractor was advised to stay in marked area only and detailed investigation was carried out by Beach. • Both Callawonga-5 and Callawonga-6 were completed as producing wells. Rehabilitation of the sites will not occur until production operations at the Callawonga field have ceased. • Borrow pits will be rehabilitated and restored in accordance with the guidelines set down in PIRSA's Field Guide for the Environmental Assessment of Abandoned Petroleum Wellsites in the Cooper Basin, South Australia, to attain the highest feasible GAS rating.

TABLE 5 : Compliance with "Cooper Basin Drilling and Well Operations SEO - November 2003" (Continued)

Objective	Assessment Criteria	Compliant / Non-Compliant	Comments
<p>Objective 2: (Continued)</p> <p>(Minimise disturbance and avoid contamination to soil.)</p>	<p><u>Production Testing / Well Blowdowns</u></p> <ul style="list-style-type: none"> ▪ No soil contamination as a result of production testing or well blowdown operations. 	<p><i>Compliant</i></p>	
	<p><u>Fuel and Chemical Storage and Handling</u></p> <ul style="list-style-type: none"> ▪ No spills/leaks outside of areas designed to contain them. ▪ Level of hydrocarbon continually decreasing for in situ remediation of spills. ▪ Soils remediated to a level as determined by the SHI process. 	<p><i>Compliant</i></p>	<ul style="list-style-type: none"> • There were no spills during the drilling operations outside of areas that were designed to contain them. • Beach's Oil Spill Contingency Plan is included in the Emergency Response Plan. • All fuel, oil and chemicals were stored in accordance with relevant standards. • Refuelling was undertaken as per Drilling Contractors' procedures. • There were no spills during the drilling operations that required reporting or corrective action to be taken in accordance with the Beach Incident Reporting system
	<ul style="list-style-type: none"> ▪ All domestic wastes are disposed of in accordance with EPA licensing requirements. ▪ 0, +1 or +2 GAS criteria for 'Waste material' objective is attained. ▪ No spills or leaks from sewage treatment process and sludge pits. 	<p><i>Compliant</i></p>	<ul style="list-style-type: none"> • Wastes were managed as described in the Cooper Basin Drilling & Well Operations EIR. • Wastes were collected, stored and transported in covered bins / containers. • All rubbish was disposed of at a licensed waste facility.

TABLE 5 : Compliance with "Cooper Basin Drilling and Well Operations SEO - November 2003" (Continued)

Objective	Assessment Criteria	Compliant / Non-Compliant	Comments
<p>Objective 4 : (Continued)</p> <p><i>(Minimise disturbance to drainage patterns and avoid contamination of surface waters and shallow ground water resources.)</i></p>	<p><u>Well Blowdown/Production Testing</u></p> <ul style="list-style-type: none"> ▪ No water (surface or groundwater) contamination as a result of production testing or well blowdown operations. 	<p><i>Compliant</i></p>	
	<p><u>Fuel/Chemical Storage and Handling</u></p> <ul style="list-style-type: none"> ▪ No leaks/spills outside of areas designed to contain them. 	<p><i>Compliant</i></p>	<ul style="list-style-type: none"> • Specific oil spill containment / cleanup materials were on site at all times. • All fuel, oil and chemicals were in accordance with relevant standards ▪ Refuelling was undertaken as per Drilling Contractors' procedures. ▪ There were no spills during the drilling operations outside of areas designed to contain them. • Beach's Oil Spill Contingency Plan is included in the Emergency Response Plan.

TABLE 5 : Compliance with "Cooper Basin Drilling and Well Operations SEO - November 2003" (Continued)

Objective	Assessment Criteria	Compliant / Non-Compliant	Comments
<p><u>Objective 5 :</u></p> <p><i>Avoid disturbance to sites of cultural and heritage significance.</i></p>	<ul style="list-style-type: none"> ▪ Proposed well sites and access tracks have been surveyed and any sites of Aboriginal and non-Aboriginal heritage identified. ▪ Any identified cultural and heritage sites have been avoided. <p><u>Note:</u> Where a negotiated agreement or determination for heritage clearance is in place, compliance with the negotiated agreement or determination takes precedence over the above criteria.</p>	<p><i>Compliant</i></p>	<p>Beach has an agreement with the Dieri Aboriginal Corporation Native Title Claimant group which specifies the requirements for scouting proposed wells and access tracks to identify and avoid areas of heritage value and archaeological significance.</p> <p>Joint site visits were carried out with the Native Title Claimant group. Proposed drilling locations and access routes were agreed and given heritage clearance.</p> <p>Areas of significance were recorded and marked as exclusion zones.</p>

TABLE 5 : Compliance with "Cooper Basin Drilling and Well Operations SEO - November 2003" (Continued)

Objective	Assessment Criteria	Compliant / Non-Compliant	Comments
<p><u>Objective 6 :</u> <i>Minimise loss of aquifer pressures and avoid aquifer contamination.</i></p>	<p>Drilling & Completion</p> <p>Activities</p> <ul style="list-style-type: none"> ▪ There is no uncontrolled flow to surface (Blow out). ▪ Sufficient barriers exist in casing annulus to prevent crossflow between separate aquifers or hydrocarbon reservoirs. ▪ Relevant government approval obtained for abandonment of any radioactive tool left downhole. <p><u>Producing, Injection, Inactive and Abandoned Wells</u></p> <ul style="list-style-type: none"> ▪ No cross-flow behind casing between aquifers, and between aquifers and hydrocarbon reservoirs unless approved by DWLBC. 	<p><i>Compliant</i></p>	<p>The Drilling Programs for the two wells were designed to ensure minimal loss of reservoir and aquifer pressures and minimal contamination of freshwater aquifers.</p>

TABLE 5 : Compliance with "Cooper Basin Drilling and Well Operations SEO - November 2003" (Continued)

Objective	Assessment Criteria	Compliant / Non-Compliant	Comments
<p><u>Objective 7:</u> Minimise disturbance to native vegetation and native fauna.</p>	<p><u>Well Lease and Access Track Construction and Restoration</u></p> <ul style="list-style-type: none"> ▪ Any sites with rare, vulnerable and endangered flora and fauna have been identified and avoided. ▪ 0, +1 or +2 GAS criteria are attained for "Minimise impacts on vegetation" objective as listed in Appendix 2, during well lease and access track site selection and construction and for "Re-establish natural vegetation on abandoned well sites and access track" objective in Appendix 4. <p><u>Borrow Pits Construction and Restoration</u></p> <ul style="list-style-type: none"> ▪ 0, +1 or +2 GAS criteria are attained for "Minimise impacts on vegetation" objective as listed in Appendix 4 during borrow pit site selection and construction, and "Minimise Impact on Vegetation" objective in Appendix 5 for borrow pit restoration. <p><u>Waste Management</u></p> <ul style="list-style-type: none"> ▪ Refer to assessment criteria for Objective 11. <p><u>Fuel and Chemical Storage and Management</u></p> <ul style="list-style-type: none"> ▪ Refer to assessment criteria for Objectives 2 and 4. 	<p><i>Compliant</i></p>	<ul style="list-style-type: none"> • The Callawonga field is not located in or near areas of high biological or wilderness values and hence the drilling operations presented no long term impacts to any such areas. • National Parks and Wildlife flora/fauna databases contain no records of vulnerable or endangered species within several kilometres of any of these well sites. • Construction of the access tracks required minimal clearance of vegetation and the routes were aligned to avoid clearing trees. • The well sites contained only sparse vegetation, and clearance was minimised. Trees that were present on the site and adjacent to the site were not cleared. • Facilities were designed and constructed to minimise fauna entrapment. • Borrow pits established for building the road and drill pad will be rehabilitated and restored in accordance with the guidelines set down in PIRSA's Field Guide for the Environmental Assessment of Abandoned Petroleum Wellsites in the Cooper Basin, South Australia, to attain the highest feasible GAS rating. • Beach's Drilling Operations Manual sets out the company's policy in relation to storage, use and disposal of hazardous material. • At all well sites, wastes were managed as described in the Drilling & Well Operations EIR. • Wastes were collected, stored and transported in covered bins / containers. • All rubbish was disposed of at a licensed waste facility.

TABLE 5 : Compliance with "Cooper Basin Drilling and Well Operations SEO - November 2003" (Continued)

Objective	Assessment Criteria	Compliant / Non-Compliant	Comments
<p><u>Objective 8 :</u> Minimise air pollution and greenhouse gas emissions.</p>	<ul style="list-style-type: none"> ▪ Compliance with EPA requirements. 	<p><i>Compliant</i></p>	<p>No well tests or well blow –downs were undertaken during drilling operations at the two Callawonga wells.</p>
<p><u>Objective 9:</u> (Maintain and enhance partnerships with the Cooper Basin community.)</p>	<ul style="list-style-type: none"> ▪ No unresolved reasonable complaints from the community. 	<p><i>Compliant</i></p>	<ul style="list-style-type: none"> ▪ Beach maintained regular contact with landholders and associated stakeholders prior to and while undertaking drilling operations at the two Callawonga wells. • Beach sponsors local community social events including the Innamincka Races. • Beach also provides major sponsorship to the Royal Flying Doctor Service.
<p><u>Objective 10 :</u> Avoid or minimise disturbance to stakeholders and/or associated infrastructure</p>	<ul style="list-style-type: none"> ▪ No reasonable stakeholder complaints left unresolved. 	<p><i>Compliant</i></p>	<ul style="list-style-type: none"> ▪ Beach maintained regular contact with landholders and associated stakeholders prior to and while undertaking drilling operations at each of the well sites. ▪ The access tracks and well sites were located away from tourist routes. ▪ The landowner has requested that no rehabilitation work be undertaken on any access tracks. ▪ The two Callawonga wells are not located near cattle watering points and cattle are not present in significant numbers due to prevailing drought conditions. ▪ The well heads and production equipment associated with each of these producing wells will be fenced off to minimise the possibility of cattle being injured.

TABLE 5 : Compliance with "Cooper Basin Drilling and Well Operations SEO - November 2003" (Continued)

Objective	Assessment Criteria	Compliant / Non-Compliant	Comments
<p><u>Objective 11 :</u> Optimise waste reduction and recovery.</p>	<ul style="list-style-type: none"> ▪ With the exception of drilling fluids, drill cuttings and other fluids disposed during well clean-up, and sewage wastes, all wastes to be disposed of at an EPA licensed facility in accordance with EPA Licence conditions. ▪ Attainment of GAS criteria for "Site left in clean, tidy and safe condition after final clean-up" objective during well site restoration (refer Appendix 4). ▪ Attainment of GAS criteria for "Site left in clean, tidy and safe condition" objective during borrow pit restoration (refer Appendix 5). ▪ 	<p><i>Compliant</i></p>	<ul style="list-style-type: none"> ▪ Waste was removed from the well sites in accordance with Beach's policy set out in the company's Drilling Operations Manual. • Non-putrescible waste material (including hazardous material) was stored safely on site for later removal to an EPA approved disposal facility.

TABLE 5 : Compliance with "Cooper Basin Drilling and Well Operations SEO - November 2003" (Continued)

Objective	Assessment Criteria	Compliant / Non-Compliant	Comments
<p><u>Objective 12</u></p> <p>Remediate and rehabilitate operational areas to agreed standards.</p>	<ul style="list-style-type: none"> ▪ No unresolved reasonable stakeholder complaints. <p><u>Contaminated Site Remediation</u></p> <ul style="list-style-type: none"> ▪ Contaminated sites are remediated in accordance with criteria developed with the principles of the National Environment Protection Measure for Contaminated sites and in consultation with the EPA. <p><u>Well Site and Access Track Restoration</u></p> <ul style="list-style-type: none"> ▪ The attainment of 0, +1 or +2 GAS criteria for (refer Appendix 4): <ul style="list-style-type: none"> “minimise visual impact of abandoned well sites” - “minimise visual impact of abandoned access tracks” - “re-establish natural vegetation on abandoned well sites and access tracks” 	<p><i>Compliant</i></p>	<ul style="list-style-type: none"> • The two Callawonga well sites will be rehabilitated when production operations cease. • Restoration will be in accordance with the standards and procedures detailed in the Cooper Basin SEO for Drilling and Well Operations (2003) and internal guidelines. • Restoration of the well sites will also be in accordance with the guidelines set down in PIRSA’s Field Guide for the Environmental Assessment of Abandoned Petroleum Wellsites in the Cooper Basin, South Australia, to attain the highest feasible GAS rating. • Any contaminated sites are remediated in accordance with Beach Guidelines and Industry Standards. • The <i>access tracks</i> to the wells will not be rehabilitated, in accordance with the request by the landowner.

TABLE 5 : Compliance with "Cooper Basin Drilling and Well Operations SEO - November 2003" (Continued)

Objective	Assessment Criteria	Compliant / Non-Compliant	Comments
<p><u>Objective 12 (Contd.)</u></p> <p>Remediate and rehabilitate operational areas to agreed standards.</p>	<p><u>Borrow Pit Restoration</u></p> <ul style="list-style-type: none"> ▪ The attainment of 0, +1 or +2 GAS criteria (refer Appendix 5) for : “minimise impact on vegetation”, “minimise impact on soil”, “Minimise visual impacts” 	<p><i>Compliant</i></p>	<ul style="list-style-type: none"> • Borrow pit locations were selected to minimise the impact on native vegetation and the impact on soil. Borrow pits are to be rehabilitated to minimise both visual and the physical impact of the borrow pits with the objective of attaining the highest feasible GAS rating.

4.3.2 Seismic

Portions of the greater 332 km² Modiolus 3D seismic program acquired in PELs 92 and 91 in 2008 extended within PPL 220 (Callawonga) and PPL 224 (Parsons). The seismic was acquired for exploration and not field development purpose. Government approval for Beach to undertake the Modiolus 3D survey was conditional on Beach committing to the objectives defined in the “ Statement of Environmental Objectives : Geophysical Operations – for the Cooper / Eromanga Basin – South Australia (June 2006)”. The seismic was acquired for exploration and not field development purpose.

Beach’s strategies for achieving each of the SEO objectives during the recording the Modiolus 3D survey were detailed in the Annual Report for Year 1 of Term 2 of PEL 92.

There were no issues of non-compliance and no reportable incidents relating to the acquisition of the Modiolus program within the PPL areas. Details of the Modiolus 3D seismic acquisition are covered in the Annual Report for Year 2 of the Second Licence Term for PEL 92.

The Neritus 3D seismic survey, acquired over the Parsons, Christies and Silver Sands fields in late 2006 and early 2007, was reprocessed in 2008 in order to merge the Modiolus and Neritus data volumes. The reprocessing and merging was for exploration and not field development purpose.

4.3.3 Production

The granting of the PPLs over the Sellicks, Christies, Aldinga, Kiana, Callawonga and Parsons fields was conditional on Beach committing to achieving the objectives

defined in Beach's " Statement of Environmental Objectives – Cooper Basin Petroleum Production Operations (November 2003) ”.

There were several instances during the reporting period in which Beach failed to comply with the requirements of its Statement of Environmental Objectives. Predominantly these instances relate to minor spills of oil outside the areas that have been specifically designed to contain any spills by the construction of low bund walls. Spills occurring outside bunded areas constitute a breach of Objective 6 of Beach's SEO, which is to "Avoid water or land contamination". In addition to spills there have been some instances of works been carried out in area's where heritage clearance has not been acquired. These instances have been treated seriously by Beach, and an investigation into the root cause has been carried out. As a result of the investigations, new procedures with regard to communicating such information to the field in addition to a review of the induction process have been adopted.

Table 6 summarises the strategies and initiatives that were employed to rectify the non-compliances relating to Production Operations in Beach operated Production Licences in the Cooper Basin.

4.3.3.1 Flowlines

The granting of a license for the construction of the Parsons to Callawonga flowline and the Callawonga to Tantanna flowline were conditional on Beach committing to achieve the objectives defined in in Beach's " Statement of Environmental Objectives – Cooper Basin Petroleum Production Operations (November 2003) ”.

There were a couple of instances during the reporting period in which Beach failed to comply with the requirements of its Statement of Environmental Objectives. These relate to construction activities not being completed in a timely manner and therefore presenting a threat to fauna, work practice resulting in small spills and unauthorised earthworks in area's outside of the cultural and heritage cleared boundaries.

The strategies and initiatives that were employed to rectify the non-compliances relating to Flowline Operations in Beach operated Production Licences in the Cooper Basin are included in **Table 6**.

Photographs of Callawonga-Tantanna flowline showing the recovery of land after restoration, and wildlife and cattle bridges that were set up during the installation of the flowline, are included at the end of this report.

Table 6: Compliance with the "Cooper Basin Production and Processing Operations Statement of Environmental Objectives October 2003"

Objective	Assessment Criteria	Compliant / Non-compliant	Comments
1. To avoid unnecessary disturbance to 3rd party infrastructure, landholders or land use	Where disturbance is unavoidable or accidental, infrastructure or land use is restored to as is reasonably appropriate to the original undisturbed condition or as agreed with the landholder	<i>Compliant</i>	Rehabilitation of the Sellicks Christies, Kiana , Aldinga Callawonga and Parsons production sites will be undertaken in consultation with the landowner when production ceases. Additional areas of land were levelled and clayed for new drilling operations at the Callawonga field. Each clay pad is now becoming a production area.
	No unresolved reasonable landholder/3 rd party complaints Landholder activities not restricted or disturbed as a result of activities unless by prior arrangement.	<i>Compliant</i>	All facilities are at least 10 kms from the nearest dwelling, which is inhabited only periodically. Regular liaison with landowner provides advance warning of any significant developments or activities.
2. To maintain soil stability / integrity	The extent of soil erosion is consistent or less than surrounding land.	<i>Compliant</i>	No significant erosion has been reported either at the facilities or along the access roads.
	Vegetation cover is consistent with surrounding land No evidence of significant subsoil on surface (colour)	<i>Compliant</i>	Topsoil was stockpiled when the sites were originally cleared for the drilling operations. Rehabilitation of the Sellicks Christies, Kiana, Aldinga, Callawonga and Parsons production sites will be undertaken when production ceases. Reinstatement of the Callawonga - Tantanna flowline corridor has been completed.

TABLE 6 : Compliance with the "Cooper Basin Production and Processing Operations SEO - October 2003" (continued)

Objective	Assessment Criteria	Compliant / Non-compliant	Comments
<p>Objective 2 (Continued)</p>	<p>No production activities undertaken on salt lakes, steep tableland land systems or wetlands land systems (as defined in the EIR)</p> <p>Abandoned areas (e.g. borrow pits) are remediated and rehabilitated to be reasonably consistent with the surrounding area</p> <p>0, +1 or +2 GAS criteria for borrow pit construction and rehabilitation are attained (Appendix B)</p>	<p><i>Compliant</i></p>	<p>None of the fields are located on or within salt lakes, steep tableland areas or wetlands.</p> <p>Production sites and access tracks are located both in dunefield environments and floodplain environments and production activities are carefully controlled to minimise impact on these areas.</p> <p>All vehicle movements are restricted to the designated access roads and the production facility areas.</p> <p>Clay surfaces on the access roads minimises disturbance to the soil beneath.</p> <p>Rehabilitation of the production sites and access tracks will be undertaken in consultation with the landowner when production ceases.</p> <p>Borrow pits will be remediated and rehabilitated to be reasonably consistent with the surrounding topography.</p> <p>Landholder has requested that no rehabilitation be undertaken on any clay-top roads constructed by Beach.</p>

TABLE 6 : Compliance with the "Cooper Basin Production and Processing Operations SEO - October 2003" (continued)

Objective	Assessment Criteria	Compliant / Non-compliant	Comments
<p>3. To minimise disturbance to native vegetation</p>	<p>Species abundance and distribution on the reinstated areas was consistent with the surrounding area</p> <p>Note: assessment of the consistency with surrounding areas will take into account that regrowth is a time and rainfall dependent process</p> <p>0, +1 or +2 GAS criteria for borrow pit construction and rehabilitation are attained (Appendix B).</p>	<p><i>Compliant</i></p>	<p>Rehabilitation of production sites will be undertaken in consultation with the landowner when production ceases.</p> <p>On-ground assessments were conducted along pipeline corridors by experienced personnel before operations were undertaken,</p> <p>Recent rains have resulted in emergence of seedlings along sections of the corridor, consistent with surrounding area.</p>
	<p>Vegetation clearing is limited to previously disturbed areas or areas assessed to be of lowest sensitivity</p> <p>No rare, vulnerable or endangered flora removed without appropriate permits</p> <p>No production activities undertaken on salt lakes, steep tableland land systems or wetlands land systems (as defined in the EIR)</p> <p>0, +1 or +2 GAS criteria for borrow pit construction and rehabilitation are attained (Appendix B).</p>	<p><i>Compliant</i></p>	<p>Minor vegetation clearing was undertaken during the reporting period at the Callawonga production facilities to accommodate the new drilling sites for Callawonga-5, and -6.</p> <p>Where possible, areas with low vegetation density were utilised when siting both production facilities and flowlines.</p> <p>Along the Callawonga-Tantanna flowline corridor, all efforts were made to preserve established / significant trees although there was evidence that some branches were removed by machinery rather than by using a saw.</p>
	<p>Vegetation clearing is limited to previously disturbed areas or areas assessed to be of lowest sensitivity</p> <p>No rare, vulnerable or endangered fauna removed without appropriate permits</p> <p>0, +1 or +2 GAS criteria for borrow pit construction and rehabilitation are attained (Appendix B)</p>	<p><i>Compliant</i></p>	<p>No record of rare, vulnerable or endangered fauna near any of the production areas or flowline corridors.</p> <p>Fauna escape ramps and branches were provided during the construction of flowline trenches</p>
	<p>Works in aquatic habitats (e.g. flowing watercourses) has been approved by PIRSA</p>	<p><i>Compliant</i></p>	<p>Aldinga, Kiana, Callawonga and Parsons facilities are all several kilometres from the nearest significant watercourse (Cooper Creek) which flows only during large flood events (1 in 5 years). Floodwaters may, however, impact on the Sellicks field and marginally on Christies field..</p>

TABLE 6 : Compliance with the "Cooper Basin Production and Processing Operations SEO - October 2003" (continued)

Objective	Assessment Criteria	Compliant / Non-compliant	Comments
<p>4. To prevent the introduction or spread of weeds, pathogens and pest fauna</p>	<p>The presence of weeds and pathogens is consistent with or better than adjacent land No new outbreak or spread of weeds reported</p>	<p><i>Compliant</i></p>	<p>No new outbreak or spread of weeds reported. Operations personnel regularly undertake inspections of operational areas including flowline corridors. There have been no reports of weed outbreaks</p>
<p>5. To minimise the impact of the production operations on water resources</p>	<p>For excavations, surface drainage profiles area restored to as is reasonably consistent with surrounding area For existing easements, drainage is maintained similar to pre-existing conditions.</p>	<p><i>Compliant</i></p>	<p>The new access track constructed along the north-south route of the buried flowline from Callawonga to Christies crosses the Cooper Creek. The creek bed at the crossing point is quite shallow and there is no impact anticipated on the natural flow of the Creek during flood events. There are no major water courses in the close vicinity of the production facilities, nor crossing the access roads, other than at Sellicks and to a lesser degree at Christies. Callawonga is located near to drainage areas of Cooper Creek when in flood, but is facilities are located on high ground. An inspection of the Callawonga-Tantanna flowline corridor has revealed that surface drainage profiles had been restored to be consistent with adjoining land.</p>
	<p>Volume of water produced is recorded. No uncontrolled flow to the surface (i.e. no free flowing bores) Note: the "Cooper Basin Drilling and well Operations" SEO provides detail on aquifer issues.</p>	<p><i>Compliant</i></p>	<p>The volume of water extracted in the production operations is monitored and recorded.</p>

TABLE 6 : Compliance with the "Cooper Basin Production and Processing Operations SEO - October 2003" (continued)

Objective	Assessment Criteria	Compliant / Non-compliant	Comments
<p>6. To avoid land or water contamination</p>	<p>No evidence of any spills or leaks to areas not designated to contain spills In the event of a spill, the spill was:</p> <ul style="list-style-type: none"> ▪ Contained ▪ Reported ▪ Cleaned-up ▪ Cause investigated and corrective and/or preventative action implemented <p>Compliance with the Environment Protection Act, Australian Standard 1940 and the Australian Dangerous Goods Code.</p>	<p>Non-compliance in relation to a number of minor spills outside of the bunded areas at the operating facilities.</p> <p>(refer to list of Incidents in Table 8)</p>	<p>Details of each incident, and the subsequent measures taken to rectify the impact of the incident, and reduce the likelihood of a similar repeat incident , are provided in Table 8.</p> <p>The cause of each incident ,and the appropriate measures to minimise further similar incidents, are discussed during the Weekly Production Meetings between field operators and office based staff engineers .</p> <p>Several of the incidents have resulted in new bunding being constructed around areas which are set aside for undertaking specific activities which have the potential for spills.</p> <p>Other incidents have resulted in design modifications being undertaken to reduce the possibility of spills through operator error.</p>
	<p>Contamination restricted to known areas and remediation strategies investigated and implemented where practical. Level of hydrocarbon contamination continually decreasing, ultimately to meet Environment Protection Authority (EPA) guidelines¹</p>	<p><i>Compliant</i></p>	<p>Contaminated soil is remediated in situ or taken to a registered soil treatment area.</p>

¹ Soil Health Index (SHI) study is currently being undertaken by Santos, in consultation with PIRSA and EPA. The results of this study will provide a proforma for establishing site-specific bench marks for soil remediation.

TABLE 6 : Compliance with the "Cooper Basin Production and Processing Operations SEO - October 2003" (continued)

Objective	Assessment Criteria	Compliant / Non-compliant	Comments
Objective 6 (Continued):	<p>No evidence of rubbish or litter on easements or at facilities.</p> <p>No evidence that waste material is not contained and disposed of in accordance with Beach approved procedures.</p> <p>Evidence of waste tracking certificates for prescribed wastes.</p> <p>Evidence of compliance with any waste disposal licence conditions (e.g. EPA permits)</p>	<p>Non-compliance in relation to litter overflowing from rubbish bin at Sellicks camp.</p> <p>(refer to list of incidents in Table 8)</p>	<p>A new rubbish bin has now been installed which has an appropriately secure lid.</p> <p>All waste material has been and continues to be disposed of in accordance with Beach approved procedures.</p>
	<p>No evidence of impacts to soil, water and vegetation as a result of water disposal (i.e. soil erosion, dead vegetation, water discoloration)</p>	<p><i>Compliant</i></p>	
	<p>No evidence of non-compliance with local or state government regulations</p>	<p><i>Compliant</i></p>	<p>Grey water disposed of in accordance with State Government regulations.</p>
	<p>Water monitoring results indicated levels of Total Petroleum Hydrocarbons (TPH) below 30mg/L in bunded holding ponds and 10mg/L in bunded and / or freeform evaporation ponds.</p> <p>No evidence of overflow of product from interceptor pit.</p> <p>No evidence of hydrocarbon contamination immediately adjacent to bunded ponds.</p>	<p><i>Compliant</i></p>	<p>Produced water from the fields is separated from the oil – firstly in separator tanks, and then further separated in a skimmer pond, before final disposal into evaporation ponds.</p> <p>Hydrocarbon levels in the disposed water at each facility continue to be measured and have been found to be well within the industry standard limits.</p> <p>Integrity of the evaporation ponds at both facilities is checked regularly by the operators based at the Sellicks field.</p>

TABLE 6 : Compliance with the "Cooper Basin Production and Processing Operations SEO - October 2003" (continued)

Objective	Assessment Criteria	Compliant / Non-compliant	Comments
Objective 6 (Continued)	Periodic reports as required detail quantity, level of contamination and proposed ongoing operation of the Land Treatment Unit.	<i>Compliant</i>	There are no land treatment units at any of the production facilities. In the event that soil becomes contaminated, it is either treated in situ or taken to a registered soil treatment area.
7. To minimise the risk to public health and safety	No injuries or incidents involving the public Demonstrated compliance with relevant standards Emergency procedures implemented and personnel trained	<i>Compliant</i>	No incidents of risk to public health and safety during the reporting period. The haul roads from the Christies, Sellicks, Kiana, Aldinga, Callawonga and Parsons facilities are not available for use by the public.
	No uncontrolled operations related fires Emergency procedures implemented and personnel trained	<i>Compliant</i>	No fires occurred at any facility during the reporting period. Landowner (and government) have given approval that , in the event of a fire at either facility, if the first attack on the fire fails, it can be left to burn itself out.
	No unauthorised activity	<i>Compliant</i>	There were no incidents of unauthorised entry to any of the Sellicks, Christies, Kiana, Aldinga, Callawonga or Parsons facilities.
8. To Minimise impact of emergency situations	Emergency response procedures are effectively implemented in the event of an emergency Emergency response exercises are aligned with credible threats and consequences identified in the risk assessment Refer to previous criteria (Objective 1, 2, 3 & 6)	<i>Compliant</i>	No emergency situations arose at any of the Sellicks, Christies, Aldinga, Kiana, Callawonga or Parsons facilities during the reporting period. Beach Petroleum HSE system includes periodic simulation of Emergency situations at production facilities.

TABLE 6 : Compliance with the "Cooper Basin Production and Processing Operations SEO - October 2003" (continued)

Objective	Assessment Criteria	Compliant / Non-compliant	Comments
9. To minimise noise due to operations	Operational activities have taken reasonable practical measures to comply with noise regulations, under the Environment Protection Act 1993 No unresolved reasonable complaints.	<i>Compliant</i>	Sellicks Christies, Kiana, Aldinga, Callawonga and Parsons facilities are all at least 10 kilometres from the nearest dwelling.
10. To minimise atmospheric emissions	Reasonable practical measures implemented in design and operation to minimise emissions	<i>Compliant</i>	Sources of atmospheric emissions at Sellicks, Christies, Kiana, Aldinga, Callawonga and Parsons are limited to the diesel engines driving the beam pumps or jet pumps on the well heads.
	Reasonable practical measures implemented in design and operation to minimise emissions Annual report includes atmospheric emissions data		
	No reasonable complaints received No dust related injuries recorded	<i>Compliant</i>	Sellicks Christies, Aldinga, Kiana, Callawonga and Parsons facilities are all at least 10 kms from the nearest dwelling. Flowlines connect Beach operated fields on the western flank of the Cooper Basin with Moomba via Santos' Tantanna facility. Oil is also being trucked to Santos' Tantanna unloading terminal The clay top haul roads are continually watered and maintained to minimise dust.

TABLE 6 : Compliance with the "Cooper Basin Production and Processing Operations SEO - October 2003" (continued)			
Objective	Assessment Criteria	Compliant / Non-compliant	Comments
11. To adequately protect cultural heritage sites and values during operations and maintenance	<p>Proposed construction areas and access tracks surveyed by relevant cultural heritage group</p> <p>Any new sites identified are recorded and reported to appropriate authority</p> <p>No impact to identified sites</p>	Non-Compliant	<p>A scouting team from the Dieri Aboriginal Corporation (DAC) Claimant Group conducted a cultural heritage survey over the access routes and well sites for the proposed development wells at Callawonga.</p> <p>Work was conducted in a 'no go' area in connection with Callawonga West Evaporation pond.</p> <p>100m of the Callawonga to Tantanna pipe line was laid outside of the Culturally cleared area.</p> <p>This was actioned by Beach through Training to cover WAC awareness, SEO awareness and Management of change procedures.</p>

4.3.4 Management System Audits

Pursuant to Regulation 33(2) (d) under the Act, an annual report must include:

“a summary of any management system audits undertaken during the relevant licence year including information on any failure or deficiency identified by the audit and any corrective actions that has, or will be taken”.

A Safety Management System (SMS) Compliance Audit of the Sellicks Production Facility was conducted by International Safety and Risk Management (ISRM) between on 20 and 21 April 2008. The audit was part of a process of review of Beach Petroleum oil production facilities.

The audit was conducted according to the requirements of the Beach Petroleum Integrated Management System. The purpose of the audit was to assess the level of compliance with the Beach Safety Management System (SMS) and identify improvements that may made since the original SMS Compliance Audit conducted by ISRM.

The level of compliance with the Beach procedures covered by the audit was generally good with several opportunities for improvement observed.

Further Management System Audits will be carried out in 2009.

4.3.5 Report and Data Submissions

Pursuant to Regulation 33(2) (e) under the Act, an annual report must include: “a list of all reports and data relevant to the operation of the Act generated by the licensee during the licence year”.

The reports and data relevant to Beach’s Cooper Basin Production Licences that were generated during calendar year 2008 and submitted to PIRSA are listed below in **Table 7**:

Table 7 : List of Reports and Data Submissions During 2008

<i>Description of Report / Data</i>	<i>Date Due</i>	<i>Date Submitted</i>	<i>Compliant / Non-Compliant</i>
Annual Production Report for 2007	28-02-08	06-02-08	Compliant
December (2007) Monthly Production Report	31-02-08	16-01-08	Compliant
January Monthly Production Report	31-03-08	15-02-08	Compliant
February Monthly Production Report	30-04-08	16-03-08	Compliant
March Monthly Production Report	31-05-08	16-04-08	Compliant
April Monthly Production Report	30-06-08	17-05-08	Compliant
May Monthly Production Report	31-07-08	16-06-08	Compliant
June Monthly Production Report	31-08-08	19-07-08	Compliant
July Monthly Production Report	30-09-08	15-08-08	Compliant
August Monthly Production Report	31-10-08	16-09-08	Compliant
September Monthly Production Report	30-11-08	20-10-08	Compliant
October Monthly Production Report	31-12-08	16-11-08	Compliant
November Monthly Production Report	31-01-08	16-12-08	Compliant
December Monthly Production Report	31-02-09	15-01-09	Compliant
Quarterly Compliance Report Q4/07	31-01-08	31/01/08	Compliant
Quarterly Compliance Report Q1/08	30-04-08	15-04-08	Compliant

Quarterly Compliance Report Q2/08	31-07-08	16-07-08	Compliant
Quarterly Compliance Report Q3/08	31-10-08	27-10-08	Compliant
Quarterly Cased Hole Report Q4/07	31-01-08	31-01-08	Compliant
Report on Unauthorised earthworks at the Callawonga West Evaporation area - SI 801-CAL	22-11-08	14-10-08	Compliant
Quarterly Cased Hole Report Q1/08	30-04-08	15-04-08	Compliant
Quarterly Cased Hole Report Q2/08	31-07-08	25-07-08	Compliant
Quarterly Cased Hole Report Q3/08	31-10-08	27-10-08	Compliant
Quarterly Cased Hole Report Q4/08	31-01-09	29/01/09	Compliant
Parsons-2 Downhole Diagram	31-07-08	17-09-08	Non-Compliant
Callawonga-4 Beam Pump Down Hole Diagram	30-04-08	17-09-08	Non-Compliant
Well Proposals for Callawonga 5 and 6	<i>Notification intention to drill submitted 7 November-08</i>	7-11-08	Compliant
Callawonga-5 Work Area Clearance Request	16-10-08	14-07-08	Compliant
Callawonga-5 Notification of Earthworks	16-10-08r	17-08-08	Compliant
Callawonga-5 Notification of Intention to Drill - Well Proposal	23-11-08	7-11-08	Compliant
Callawonga-5 Drilling Program	<i>Notification intention to drill submitted 7 November</i>	24-11-08	Compliant
Callawonga-6 Work Area Clearance Request	15-11-08	14-07-08	Compliant
Callawonga-6 Notification of Earthworks	15-11-08	29-10-08	Compliant
Callawonga-6 Notification of Intention to Drill - Well Proposal	6-12-08	7-11-08	Compliant

Callawonga-6 Drilling Program	<i>Notification intention to drill submitted 7 November 2008</i>	18-11-08	Compliant
Callawonga-2 CBL	9-11-2007	25-02-2008	Non-Compliant
Callawonga-2 Well Completion Report	9-03-08	6-03-08	Compliant
Callawonga-3 Well Completion Report	14-04-08	14-04-08	Compliant
Callawonga-4 Well Completion Report	24-04-08	24-04-08	Compliant
Neritus 3D Seismic Survey Interpretation Report	27-10-08	27-10-08	Compliant
Preliminary Survey Licence (PSL) 18 Annual Report	31-10-2008 (extension granted)	31-10-08	Compliant
Beach Petroleum Ltd Statement of Environmental Objectives (SEO) for the Cooper Basin Operations	5-11-08	14-10-08	Compliant
Beach Petroleum Ltd Fit For Purpose Report	5-11-08	14-10-08	Compliant

4.3.6 Reportable Incidents

Pursuant to Regulation 33(2) (f), an annual report must include:

“in relation to any incidents reported to the Minister under the Act and these Regulations during the relevant licence year –

- (ii) an overall assessment and analysis of the incidents, including the identification and analysis of any trends that have emerged; and**
- (iii) an overall assessment of the effectiveness of any action taken to rectify non-compliance with obligations imposed by the Act, these regulations or the licence, or to minimise the risk of recurrence of any such non-compliance”.**

The reportable incidents arising from the operations within the Cooper Basin Production Licences operated by Beach Petroleum during 2008 are listed in **Table 8:**

Table 8: List of Reportable Incidents During 2008: Beach Operated Petroleum Production Licences

Field Area / Activity	Date of Incident 2008	Type of Loss - Quantity / Area Affected	Incident Description	Root Cause	Steps Taken for Clean-up and Rehabilitation	Steps Taken for Prevention of Recurrence	Date Reported / Reported to Whom
Kiana 1	29-May-08	photo 004679	Spill next to sump	work practice	remediate in situ	remind operators to take care when handling liquids	Tim Flowers PIRSA to Beach.
Kiana	29-May-08	photo 004678	Spill under valve in truck load-out area	Maintenance	replace/repair seal, remediate in situ	ensure spare seals available for prompt repair.	Tim Flowers PIRSA to Beach
Kiana	29-May-08	photo 004681 & 004680	Spills around engine	Maintenance	remediate in situ	construct bund around the area, ensure regular maintenance of seal leaks to reduce spill	Tim Flowers PIRSA to Beach
Sellicks 1	29-May-08	Photo 004641	Small drip from tray used to transport portable fuel tank	Work Practice	remediate in situ	Operators to ensure any accidental spills into portable tray are cleaned up before storing.	Tim Flowers PIRSA to Beach
Sellicks Facility	29-May-08	photo 004640	Drips from fuel pump dispenser	Design	remediate in situ	Action item - bund to contain whole area to be installed.	Tim Flowers PIRSA to Beach
Sellicks Facility	29-May-08	photo 004630	Spill/overflow from Drum Bund	Design	remediate in situ	install larger Bund; Empty Bund regularly to prevent overflow	Tim Flowers PIRSA to Beach
Sellicks Facility	29-May-08	photo 004636	Spill/overflow from Drum Bund	Design	remediate in situ	install larger Bund; Empty Bund regularly to prevent overflow	Tim Flowers PIRSA to Beach
Sellicks Facility	29-May-08	photo 004634	Salt spill, salt stored on the ground	Design	clean up area - store salt in a banded area	salt stored in sealed containers	Tim Flowers PIRSA to Beach

Field Area / Activity	Date of Incident	Type of Loss - Quantity / Area Affected	Incident Description	Root Cause	Steps Taken for Clean-up and Rehabilitation	Steps Taken for Prevention of Recurrence	Date Reported / Reported to Whom
Callawonga Trunkline	29-May-08	photo 004629	Inspection point not covered	supervision	all inspection points now covered	if unable to fit cover immediately install temporary fencing to protect fauna.	Tim Flowers PIRSA to Beach
Callawonga 3	29-May-08	photo 004653	Small spill/drip - report by Tim Flowers during PIRSA site visit	monitoring and maintenance	remediate in situ	remind guys to be vigilant in reporting and cleaning up of such stains	Tim Flowers PIRSA to Beach
Christies Facility	29-May-08	photo 4672	Oil spill at base of portable compressor	Design	remediate in situ	contain in portable bund	Tim Flowers PIRSA to Beach
Christies Facility	29-May-08	photo 4671	Oil spill under flowline connection	Maintenance	remediate in situ	leaking seal replaced. Line used for moving water in future. Spill was a result of some contaminated water.	Tim Flowers PIRSA to Beach
Christies Facility	29-May-08	photo 4670	Spill around well head from workover rig	Monitoring and Maintenance	remediate in situ	reemphasise with workover crews and in particular Rig Supervisors - checklists to be correctly completed	Tim Flowers PIRSA to Beach
Christies Facility	29-May-08	photo 4665	Small spill on ground	unknown	remediate in situ	remind operators to be vigilant in reporting and cleaning up of such stains	Tim Flowers PIRSA to Beach
Callawonga Facility	5-July-08	1 litre	Pumping coolant from a 44 gallon drum into the radiator. Hose on hand pump disconnected from pump and coolant splashed over the back of the ute, engine and operator. Small amount on ground.	Work Practice	Remediate in situ.	ensure screw holding hose onto pump is done up tightly before use.	29/10/08 Jacqui Owen to PIRSA

Field Area / Activity	Date of Incident	Type of Loss - Quantity / Area Affected	Incident Description	Root Cause	Steps Taken for Clean-up and Rehabilitation	Steps Taken for Prevention of Recurrence	Date Reported / Reported to Whom
Callawonga West Evap Area	Beginning of August, initial reported to Beach by PIRSA 22nd August.	N/A	Unauthorised earthworks at the Callawonga West Evaporation area . Earthworks conducted under Beach Supervision in Cultural Heritage 'No Go' Area. Heritage groups have agreed no significant disturbance has occurred.	Induction and Training, Work Practice	Area now inundated with water, Rehab will occur at the end of the production life of the Callawonga field.	Further Induction and training of field staff and contractors focusing on the SEO, WAC and earthworks.	A formal written report/summary of this serious incident was submitted to PIRSA 14-10-08.
Sellicks 1	13-Aug	10 litres crude fuel	Fuel filter housing split on V12 engine due to excessive vibration.	Design	Oil spill has been raked & treated with Urea & watered, treatment will be ongoing.	Filters have now been remotely mounted away from engine so there will not be a reoccurrence.	29/10/08 Jacqui Owen to PIRSA
Aldinga 1	19-Aug	40 litres	Oil stain under beam pump due to oil leaks on engine and washing engine	Design	Urea has been raked into stain - treatment will be ongoing. Oil leaks repaired.	New containment base is being designed. Current Beach Facility Designs incorporate, where appropriate, bunded areas to allow for capture of leaks and washdown fluids.	29/10/08 Jacqui Owen to PIRSA
Sellicks 3	8-Sep	300 litres total fluid only 2%-3% oil	Power fluid leak at well head	Monitoring and Maintenance	Treat small oil stain with Urea.	Replaced leaking high pressure grease nipple on wing valve along with others that were in poor condition.	29/10/08 Jacqui Owen to PIRSA

Field Area / Activity	Date of Incident	Type of Loss - Quantity / Area Affected	Incident Description	Root Cause	Steps Taken for Clean-up and Rehabilitation	Steps Taken for Prevention of Recurrence	Date Reported / Reported to Whom
Christies Holding Pond #1	3/12/08	N/A	Christies Holding Pond 1 contaminated due to major facility upset.	Monitoring and Maintenance	Reeds removed Oil skimmed.	Ensure correct separation chemicals used. Ensure staff vigilant in monitoring ponds, develop recording system to monitor water analysis.	2/02/09 Jacqui Owen to PIRSA
Christies -3	14/11/08	20ltr	CHR 08-11 stains around well head from work over activity	Design	Strains treated with urea.	Inform rig supervisor to notify beach supervisor of any spills that occur during operations.	2/02/09 Jacqui Owen to PIRSA
Christies -3	14/11/08	120ltr	CHR 08-10 Internal rubber from the 602 hammer union on the injection line had ruptured.	Monitoring and Maintenance	Skid shut down, valve isolated, line drained, and rubber changed. Area treated with urea.	All hammer unions checked.	2/02/09 Jacqui Owen to PIRSA
Christies Facility (Pig Receiver)	22/11/08	30ltr	CHR08-09 Bleed bolt loose on pig receiver, fine spray of oil from the bleed hole.	Work Practice	Immediately tightened bolt, stain treated with urea.	Ensure all staff familiar with procedures	2/02/09 Jacqui Owen to PIRSA
Callawonga-1	25/09/2008	20ltr	CAL08-09 Flange Gasket on Callawonga-1 return line started leaking.	Monitoring and Maintenance	Spill treated with Urea.	Gasket replaced	2/02/09 Jacqui Owen to PIRSA

Field Area / Activity	Date of Incident	Type of Loss - Quantity / Area Affected	Incident Description	Root Cause	Steps Taken for Clean-up and Rehabilitation	Steps Taken for Prevention of Recurrence	Date Reported / Reported to Whom
Callawonga-Tank Farm	25/10/08	10ltr	CAL08-10 Paper flange gasket between tank farm manifold & water discharge line to interceptor pond blew out resulting in a small spill	Monitoring and Maintenance	Spill treated with Urea.	Gasket replaced	2/02/09 Jacqui Owen to PIRSA
Callawonga-6 Lease Preparation	6/12/08	N/A	CAL 08-12 Dozer through uncleared area. Small area of topsoil disturbance caused by tyre tracks.	Induction Training and Supervision, Communication	Natural resettling of top soil and reveg already occurring - no further action required	Incident investigation still underway.	07/012/08 Doug Roberts to PIRSA
Callawonga - Parsons Flowline	25/11/08	100m	CAL 6062 a short section of the flowline was laid outside of WAC boundary. No significant damage evident as noted after rehab had occurred.	Induction & Training	Area has been rehabilitated and site now has cultural and heritage clearance	Incident investigation still underway	26/11/12 Jacqui Owen to PIRSA

4.3.7 Threat Prevention

Pursuant to Regulation 33(2) (g) under the Act, an annual report must include: “a report on any reasonably foreseeable threats (other than threats previously reported on) that reasonably presents, or may present, a hazard to facilities or activities under the licence, and a report on any corrective action that has, or will be taken”.

A major (“once in 10 years”) flood in the Cooper Creek is the only foreseeable threat to production operations at the Sellicks, Christies, Aldinga, Callawonga, Parsons or Kiana fields, (in particular the Sellicks field that lies proximal to distributaries of Coopers Creek).

The progress of any flooding events in the Queensland headwaters of the Cooper Creek are closely monitored by satellite surveillance to predict the time of their arrival in the Sellicks / Christies area several weeks later.

Such an extensive ‘advance warning’ period provides the opportunity for an orderly shutdown and abandonment of the facilities if required, incorporating appropriate measures to minimize damage.

4.3.8 Future Work Program

Pursuant to Regulation 33(2) (h) under the Act, an annual report must include: “unless the relevant licence year is the last year in which the licence is to remain in force – a statement outlining operations proposed for the ensuing year”.

Table 9 Anticipated Work Programs for Petroleum Production Licences Operated by Beach Petroleum

PPL	FIELD	<i>ANTICIPATED WORK PROGRAM for 2009</i>
PPL 204	Sellicks	Normal operations.
PPL 205	Christies	Connect Christies-4 on separate flowline to facility.
PPL 210	Aldinga	Normal operations.
PPL 212	Kiana	Assess for replacing jet pump system with a beam-pump.
PPL 220	Callawonga	Complete and connect Callawonga-5 and -6. Upgrade dewatering, interception and holding pond capacity. Improve well testing capability; Install ESP in Callawonga-6.
PPL 224	Parsons	Expand dewatering facilities and connect Perlubie-1 exploration well. (note that Perlubie-1 oil field discovery made in 2009).

5. Expenditure Statement

Pursuant to Regulation 33(3) under the Act, an annual report must contain:

“An annual report must be accompanied by a statement of expenditure on regulated activities conducted under the licence for the relevant licence year, showing expenditure under each of the following headings:

- a) drilling activities;**
- b) seismic activities;**
- c) technical evaluation and analysis;**
- d) other surveys;**
- e) facility construction and modification;**
- f) operating and administration expenses (not already covered under another heading)”.**

Commercial in Confidence.

6. Additional Information for Production Licence Reports

Pursuant to Regulations 33(2) (i) and (j) under the Act, an annual report must contain:

“In the case of a production licence – an estimate of the volume likely to be produced, wasted, stored or sold under the licence during the ensuing year, or such longer period as the Minister may require”; and

“In the case of a production licence – an assessment of the development activities proposed to be undertaken under the licence, including the number of completions that are expected to occur, during the ensuing year, or such longer period as the Minister may require”.

Table 10 Field Production and Proposed Field Development Activities Beach Operated Production Licences

PPL 204	SELLICKS
<i>Production for 2008 :</i>	<i>Oil : 40,699 bbls</i>
	<i>Water : 631,381 bbls</i>
<i>Production <u>forecast</u> for 2009 :</i>	<i>Oil: 24,100bbls</i>
	<i>Water: 550,000 bbls</i>
<i>Development activities proposed to be undertaken :</i>	
No further wells are currently planned for this field.	

PPL 205	CHRISTIES / SILVER SANDS
<i>Production for 2008 :</i>	<i>Oil : 84,807 bbls</i>
	<i>Water: 2,172,714 bbls</i>
<i>Production <u>forecast</u> for 2009 :</i>	<i>Oil : 84,000 bbls</i>
	<i>Water : 1,300,000 bbls</i>
<i>Development activities proposed to be undertaken :</i>	
No further wells are currently planned for this field.	

PPL 210	ALDINGA
<i>Production for 2008 :</i>	<i>Oil : 3,977 bbls</i>
	<i>Water : 454 bbls</i>
<i>Production <u>forecast</u> for 2009 :</i>	<i>Oil : 1,500 bbls</i>
	<i>Water : 300 bbls</i>
<i>Development activities proposed to be undertaken :</i>	
No further wells are currently planned for this field.	

PPL 212	KIANA
<i>Production for 2008 :</i>	<i>Oil : 11,900 bbls</i>
	<i>Water : 30,264 bbls</i>
<i>Production <u>forecast</u> for 2009 :</i>	<i>Oil : 11,600 bbls</i>
	<i>Water : 45,000 bbls</i>
<i>Development activities proposed to be undertaken :</i>	
No further wells are currently planned for this field.	

PPL 220	CALLAWONGA
<i>Production for 2008 :</i>	<i>Oil : 657,996 bbls</i>
	<i>Water : 3,475,540 bbls</i>
<i>Production <u>forecast</u> for 2009 :</i>	<i>Oil : 848,500 bbls</i>
	<i>Water : 8,100,000 bbls</i>
<i>Development activities proposed to be undertaken :</i>	
No further wells are currently planned for this field. Callawonga 5 and Callawonga 6 to be placed on stream in late February - early March 2009.	

PPL 224	PARSONS
<i>Production for 2008 :</i>	<i>Oil : 310,658 bbls</i>
	<i>Water : 371,032 bbls</i>
<i>Production <u>forecast</u> for 2009 :</i>	<i>Oil : 727,900 bbls</i>
	<i>Water : 3,100,000 bbls</i>
<p><i>Development activities proposed to be undertaken :</i></p> <p>No further wells are currently planned for this field.</p>	

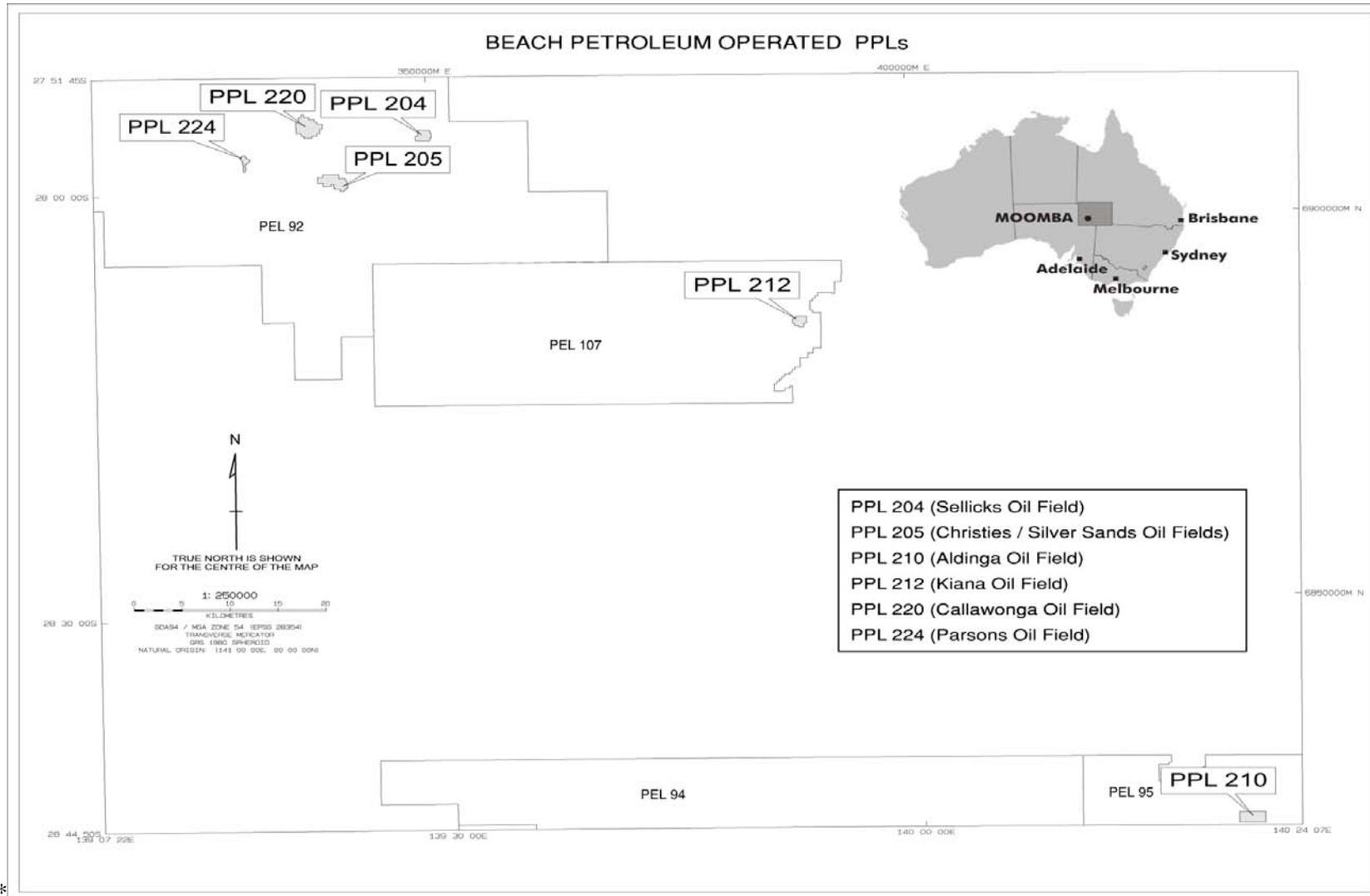


Figure 1: Beach Petroleum Operated Petroleum Production Licences in the Cooper - Eromanga Basin, South Australia



Buried Callawonga-Tantanna flowline after rehabilitation - December 2008. Flowline parallels road; sign indicates position.



Cattle bridge over flowline trench



Animal bridge across flowline trench



Callawonga-Tantanna flowline trench prior to restoration



Callawonga-Tantanna flowline trench after restoration (February 2009)