



PEL 94

Annual Report

5 May 2010 to 4 May 2011

**(First 12 months of Year 4 of the First Renewal
Period)**

Cooper / Eromanga Basins

South Australia

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1 Introduction

Petroleum Exploration Licence (PEL 94) was granted on 5 November 2001. The Licence is located on the south western margin of the Cooper/Eromanga Basins, South Australia.

The Annual Report for PEL 94 details the work conducted during the period 5 May 2010 to 4 May 2011 which marks the first 12 months of licence year 4 of the first renewal term. This Annual Report has been prepared in accordance with the requirements of section 33 of the Petroleum and Geothermal Energy Regulations 2000.

2 Permit Summary

PEL 94 was originally granted on 5 November 2001 to:

- Beach Petroleum NL 50%
- Magellan Petroleum (NT) Pty Ltd 50%

Victoria Oil Exploration acquired a 15% interest in the Licence from Magellan Petroleum in September 2005.

The licence was renewed for a further five year term effective 5 May 2007.

Strike Energy Limited acquired Magellan's interest in the Licence on 17 March 2010.

The current registered interests in PEL 94 are:

- Beach Energy Limited 50%
- Strike Energy Limited 35%
- Victoria Oil Exploration (1977) Pty Ltd 15%

Beach Energy is the Operator of PEL 94.

The work commitments for the first renewal term of PEL 94 are detailed in Table 1.

Table 1: Original Work Commitments for the first renewal term of PEL 94 commencing 5 May 2007

Licence Year	Minimum Work Program
Year 1 (firm)	Geological & Geophysical Studies
Year 2	Geological & Geophysical Studies
Year 3	Geological & Geophysical Studies
Year 4	Geological & Geophysical Studies
Year 5	Drill one well and Geological & Geophysical Studies

There has been no variation to the approved work program.

On 19 April 2010, Beach applied for a six month suspension / extension of work commitments for PEL 94. The application was prompted by widespread flooding in the Cooper Basin that affected operational activities within the basin.

On 25 May 2010, PIRSA granted a suspension of the work commitments under the licence condition for the period 5 May 2011 to 4 November 2011 and extended the licence term by the corresponding period of the suspension. Year 4 of PEL 94 will end on 4 November 2011. The first renewal term of PEL 94 will now expire on 4 November 2012.

The Licence carries the rights to one further renewal subject to the provisions of the *Petroleum and Geothermal Energy Act 2000*.

The Licence remains in good standing.

Table 2 below details the minimum work program and the work completed by the Joint Venture as at 4 May 2011.

Table 2: Work Program and Work Completed (as of end of current reporting period) by Licence Year

Licence Year	Permit Year Start	Permit Year End	Minimum Work Program	Work Completed
Year 1 (firm)	5 May 2007	4 May 2008	Geological & Geophysical Studies	Completed
Year 2	5 May 2008	4 May 2009	Geological & Geophysical Studies	Completed
Year 3	5 May 2009	4 May 2010	Geological & Geophysical Studies	Completed
Year 4	5 May 2010	4 Nov 2011*	Geological & Geophysical Studies	Completed
Year 5	5 Nov 2011	4 Nov 2012	Drill one well and Geological & Geophysical Studies	

* Six month suspension / extension of work commitments

3 Regulated Activities

Pursuant to Regulations 33(2) (a), an Annual Report must include:

“A summary of the regulated activities conducted during the licence year.”

3.1 Drilling and Related Activities

No wells were drilled in PEL 94 during the first 12 months of Year 4 of the first renewal of the Licence.

3.2 Seismic Data Acquisition

No seismic data were acquired in PEL 94 during the first 12 months of Year 4 of the first renewal of the Licence.

3.3 Seismic Data Processing and Reprocessing

No seismic data were processed and no seismic data were reprocessed 94 during the first 12 months of Year 4 of the first renewal of the Licence.

3.4 Geochemical, Gravity, Magnetic and other Surveys

There were no Geochemical, Gravity, Magnetic or other surveys conducted in PEL 94 during the first 12 months of Year 4 of the first renewal of the Licence.

3.5 Geological and Geophysical Studies

Geological and Geophysical Studies in the first 12 months of Year 4 of the first renewal of the Licence built upon the work performed in previous years of the first renewal period, with studies focused on a prospectivity review of the permit, both in terms of play definition and ranking the prospect and lead seriatim prior to the drilling of one well in Year 5 of the first renewal period, as per the approved work program.

The play types reviewed for PEL 94 included conventional oil plays in both the Permian and Jurassic/Cretaceous intervals, and multiple unconventional plays, including the Shale Oil and Shale Gas plays within the Permian Shales and the Coal Seam Gas potential in the Permian, Cretaceous and Tertiary coals.

These studies will facilitate both the drilling of a well in Year 5 of the first renewal, and a relinquishment/renewal strategy for the Joint Venture prior to applying for a second (and final) renewal to the Licence.

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 minimise the likelihood of recurrence of any such non-compliances.”

There were no instances during the first 12 months of Year 4 of the first renewal of PEL 94 Licence in which the Joint Venture failed to comply with the requirements of the Licence, the *Petroleum and Geothermal Energy Act 2000*, the Petroleum and Geothermal Energy Regulations 2000, or the objectives of the Statements of Environmental Objectives (SEOs) under which it conducted its field operations.

As there were no incidents of non-compliance, no rectification action was required.

Licence Conditions Non-Compliance

There were no instances during the first 12 months of Year 4 of the first renewal of the PEL 94 Licence, in which the Joint Venture failed to comply with the Conditions of the Licence.

Regulatory Non-Compliance

There were no instances during the first 12 months of Year 4 of the first renewal of the PEL 94 Licence in which the Joint Venture failed to comply with the *Petroleum and Geothermal Energy Act 2000*, or the Petroleum and Geothermal Energy Regulations 2000.

Compliance with Statements of Environmental Objectives

There were no instances during the first 12 months of Year 4 of the first renewal of the PEL 94 Licence in which the Joint Venture failed to comply with the environmental objectives specified in either the:

- *“Cooper Basin Drilling and Well Operations Statement of Environmental Objectives - November 2009”, or the*
- *“Cooper Basin Geophysical Operations Statement of Environmental Objectives - June 2006”.*

4.2 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 have, or will be taken”.

No Management System Audits were undertaken during the current reporting period that were specific to exploration activities on PEL 94.

4.3 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”.

A list of the reports and data generated in relation to the operations undertaken during the first 12 months of Year 4 of the first renewal of the Licence is provided in Table 3.

Table 3: List of Reports and Data Submissions for the Current Reporting Period

<i>Description of Report / Data</i>	<i>Date Due</i>	<i>Date Submitted</i>	<i>Compliant / Non-Compliant</i>
Annual Report for Year 3 of the first renewal term of PEL 94	4 July 2010	21 June 2010	<i>Compliant</i>

4.4 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 –

- (i) an overall assessment and analysis of the incidents, including the identification and analysis of any trends that have emerged; and*
- (ii) 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”.*

There were no incidents arising from the operations undertaken on PEL 94 during the first 12 months of Year 4 of the first renewal of the Licence.

4.5 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”.

There are no threats foreseeable to any future exploration activities in PEL 94.

4.6 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”.

The future work for Licence Year 5 will build upon the work undertaken during Licence Year’s 3 and 4, with the aim of working up a prospect to drillable status. Studies will focus on prospect evaluation, and on the GG&E required for the proposal, drilling and evaluation of a well.

Studies will also focus on the unconventional potential of the Permit, and the best method of assessing any potential. These studies and any well results will provide a framework for the relinquishment strategy, where a further third (1/3) of the original

licence area (half of the current area) must be relinquished at the end of the first renewal term on 4 November 2012.

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)”.*

An Expenditure Summary for the Licence for the period 5 May 2010 to 4 May 2011 is presented as Appendix 1.

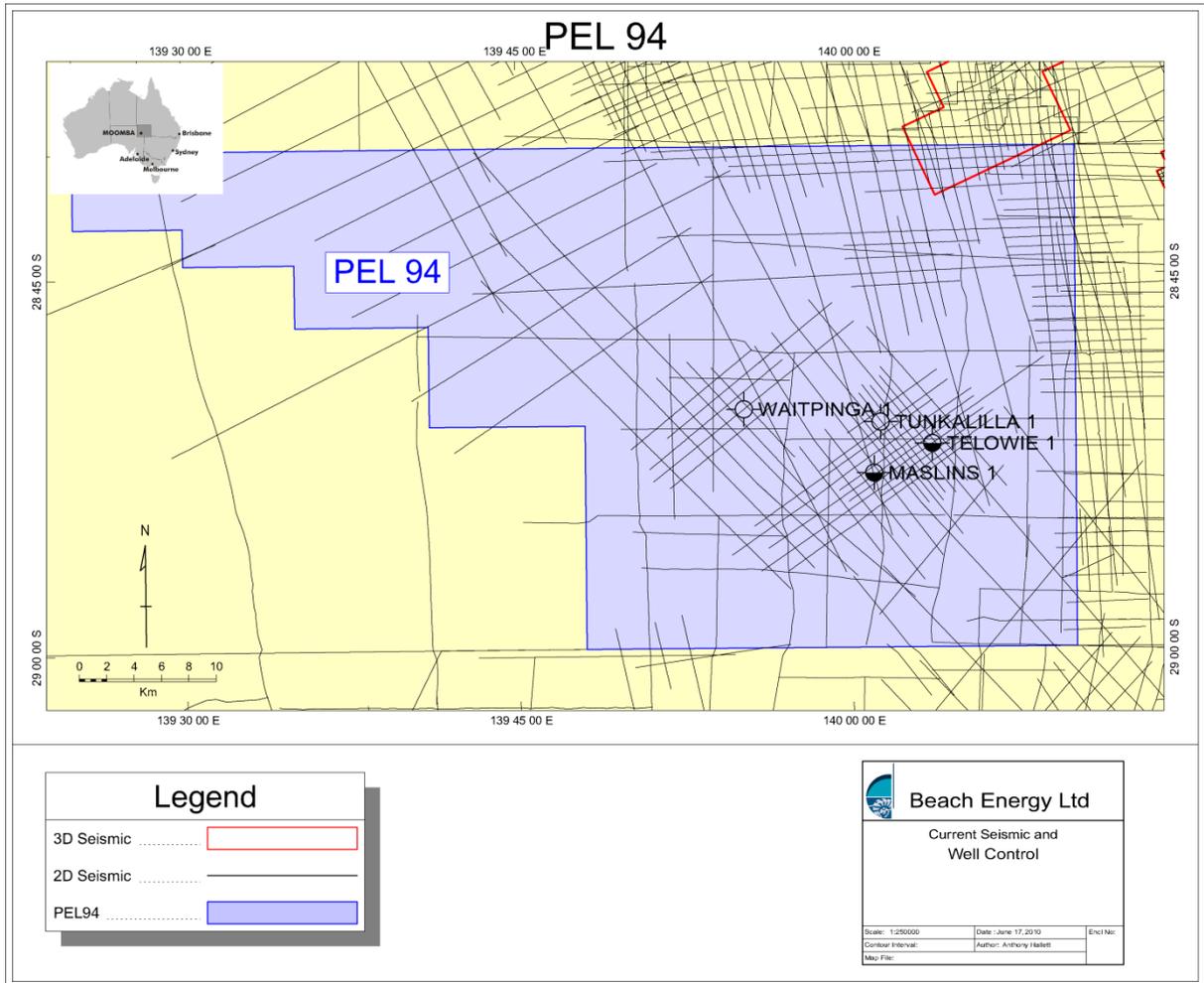


Figure 1 Location of Wells and Seismic in PEL 94