



## **Annual Report**

On

***PRL 25 (Middleton)***

**Petroleum Retention Licence Year 2**

**2 January 2010 - 1 January 2011**

(Licence Term: 2 January 2009 - 1 January 2014)

***Cooper - Eromanga Basin***

***-South Australia-***

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## **Introduction**

Petroleum Retention Licence (PRL) 25 was granted to Beach Petroleum Ltd, (*Beach*) and Great Artesian Oil and Gas Limited (*GAOG*) on 2 January 2009, for a five year term, in order that the Joint Venture could evaluate the nature and extent of the Middleton gas accumulation and establish the commercial feasibility of production. The Licence is located in the onshore Cooper Basin, South Australia.

Middleton 1, an exploration well in PEL 106, discovered gas in the Patchawarra Formation in March 2006. An extended production test (EPT) was conducted during September / October 2006 to assess reservoir size and to allow separator sampling of stabilised gas and condensate streams.

Negotiations for the connection of Middleton to third party gathering and processing facilities are being negotiated and it is not yet known whether the gas will be sold based on wellhead composition or tolled through a processing plant with associated component streams recovered.

This report, the second to be submitted for PRL 25, details the work conducted during Year 2 of the Licence (2 January 2010 – 1 January 2011) and the work to be conducted during Licence Year 3, in accordance with Regulation 33 of the Petroleum and Geothermal Energy Act 2000.

## **Permit Summary**

Petroleum Retention Licence (PRL) 25 was awarded on 2 January 2009 to:

- *Beach Petroleum Ltd (Operator)*. 50%
- *Great Artesian Oil and Gas Limited* 50%

In August 2008, Drillsearch Energy Limited completed a merger with Great Artesian Oil and Gas Limited.

A Notation of Change of Company Name from Beach Petroleum Limited to Beach Energy Limited was entered into the public register on 7 January 2010.

The Licence occupies an area of 4.46 km<sup>2</sup> approximately.

PRL 25 has an expiry of 1 January, 2014.

### **Regulation 33 (2) (a) Regulated Activities**

*“A summary of the regulated activities conducted under the licence during the [current reporting] year.”*

#### ***Production and Processing***

No production or processing activities were undertaken within PRL 25 during the Year 2 Report Period.

Wellhead pressures were recorded in June (THP 2562 psi, CHP 0 psi) and November (THP 2560 psi, CHP 0 psi). A static gradient survey was completed in June 2010. Gauges were run to a depth of 2625mKB. Maximum recorded pressure and temperature were 3840psi and 271deg F

Drillsearch, as marketing representative for the whole of PEL106 and PRL 25 (Middleton), was in discussion with Santos, as representative of the SACB Producers, throughout the second half of 2010 about development, connection to the SACB Network (at Moonanaga) and sale of raw gas to the SACB Producers.

In parallel, Beach has been conducting engineering studies for development of the Middleton gas field.

## Regulations 33 (2) (b) & (c) Compliance Issues

### *Licence and Regulatory Compliance*

*“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.”*

Beach Energy Ltd., as Operator of PRL 25, complies with all relevant conditions under the Petroleum and Geothermal Energy Act 2000 and the Petroleum and Geothermal Energy Regulations 2000. No drilling, seismic or production operations took place in PRL 25 during Licence Year 2. There were no instances of non-compliance with the Regulations in regard to these operations, nor were there any instances of non-compliance with the relevant Statements of Environmental Objectives.

### Drilling

No drilling took place in PRL 25 during Licence Year 2 and there were no instances of non-compliance with the Regulations in regard to Beach's **drilling operations** in PRL 25, nor were there any instances of non-compliance with the "Statement of Environmental Objectives for Drilling in the Cooper Basin."

### Seismic

There were no seismic field operations and no reprocessing of existing seismic data undertaken during Licence Year 2. There were no instances of non-compliance with the Regulations in regard to **seismic operations** in PRL 25 during Year 2 of the Licence, nor were there any instances of non-compliance with the "Statement of Environmental Objectives for Seismic Operations in the Cooper Basin."

### Production

No production operations were undertaken within PRL 25 during Licence Year 2. There were no instances of non-compliance with the Regulations in regard to **production operations** in PRL 25 during Year 2 of the Licence, nor were there any instances of non-compliance with the "Statement of Environmental Objectives for Production Operations in the Cooper Basin."

### **Regulation 33 (2) (d) Management System Audits**

*“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”.*

No management system audits specific to PRL 25 were conducted during Year 2 of the Licence reporting period.

### **Regulation 33 (2) (e) Report and Data Submissions**

*“A list of all reports and data relevant to the operation of the Act generated by the licensee during the licence year”.*

The annual report for year 1 of the licence was submitted on 1 March 2010. No other reports or data were submitted to PIRSA during the period 2 January 2010 through 1 January 2011.

### **Regulation 33(2) (f) Incidents**

*“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”.*

No reportable incidents occurred during the reporting period.

### **Regulation 33 (2) (g) Threat Prevention**

*“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”.*

The Joint Venture sees no perceived threats that may present a hazard to either facilities or activities under the PRL 25 Licence.

### **Regulation 33 (2) (h) Future Work Program**

*“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 Middleton site will continue to be visited by Beach Energy representatives. The wellhead will be serviced and wellhead pressures monitored during Year 3.

Drillsearch will continue to progress discussions with Santos regarding the possibility of tolling Middleton and associated fields' gas through the SACB Network and Moomba plant, to see if reasonable access terms can be obtained.

In parallel Beach has been conducting engineering studies for development of the Middleton gas field.

### **Regulation 33 (3) Expenditure Statement**

*“An annual report must be accompanied by a statement of expenditure on regulated activities conducted under the licence for the relevant licence year.*

Please refer to **Appendix 1** (attached) for the expenditure statement for the Report Period 2 January 2010 to 1 January 2011.