



**PEL 110
Cooper/Eromanga Basin
South Australia**

**Annual Report
Permit Year 4**

6th February 2006 to 8th August 2007

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1 Introduction

Petroleum Exploration Licence No. 110 is situated on the northern margin of the Cooper/Eromanga Basin, South Australia. The fourth year of the licence covers the period 6th February 2006 to 8th August 2007, including a six month period of suspension.

This report details the work performed by the Joint Venture during this fourth year of the licence, in accordance with the requirements of Section 33 of the Petroleum Regulations 2002.

2 Permit Summary

The working interests in PEL 110 at the end of this reporting period were:

| | |
|--|--------------|
| Beach Petroleum Ltd (Operator) | 37.5% |
| Magellan Petroleum (NT) Pty Ltd | 37.5% |
| Cooper Energy NL | 25.0% |

The agreed work commitments for PEL 110 are summarised as follows:

| Licence Year | Minimum Work Program | Actual Work |
|-----------------------------|---|--|
| Year 1 (5/02/03-4/02/04) | One well; 152km seismic; 75 km reprocessed seismic; surface geochemical survey. | One well ; 164km seismic; 321km reprocess seismic; surface geochemical survey. |
| Year 2 (5/02/04-4/02/05) | Geological and Geophysical studies | Geological and Geophysical studies |
| Year 3 (5/02/05-4/02/06) | One well | One well |
| Year 4 (5/02/06-8/08/07) | Geological and Geophysical studies | Geological and Geophysical studies. Aerial Geochemical survey. |
| Year 5 (9/08/07-8/08/08) | One well | |

* The PEL 110 licence was suspended for 6 months from 31/01/07 to 30/07/07.

3 Exploration Activity

3.1 Drilling.

No drilling was undertaken during the permit year.

3.2 Seismic Data Acquisition

No new seismic was acquired during the permit term.

3.3 Seismic Data Processing/ Reprocessing

No new processed or re-processed seismic data was obtained during the reporting period.

3.4 Other Surveys

An aerial geo-chemical survey was acquired over three days in 2006, July 17, August 31 and September 1. The survey covered 975km² in the southern portion of the permit, with a total of 2001 flight-line kilometres (Figure 1).

3.5 Geological and Geophysical Studies.

Technical studies during this year of the permit term comprised of integrating the aerial geochemical data with seismic and drilling data. The results of drilling in adjacent permits was also integrated into migration pathway mapping. The geological, geo-chemical and geophysical studies were directed towards well planning for the fifth year of the permit.

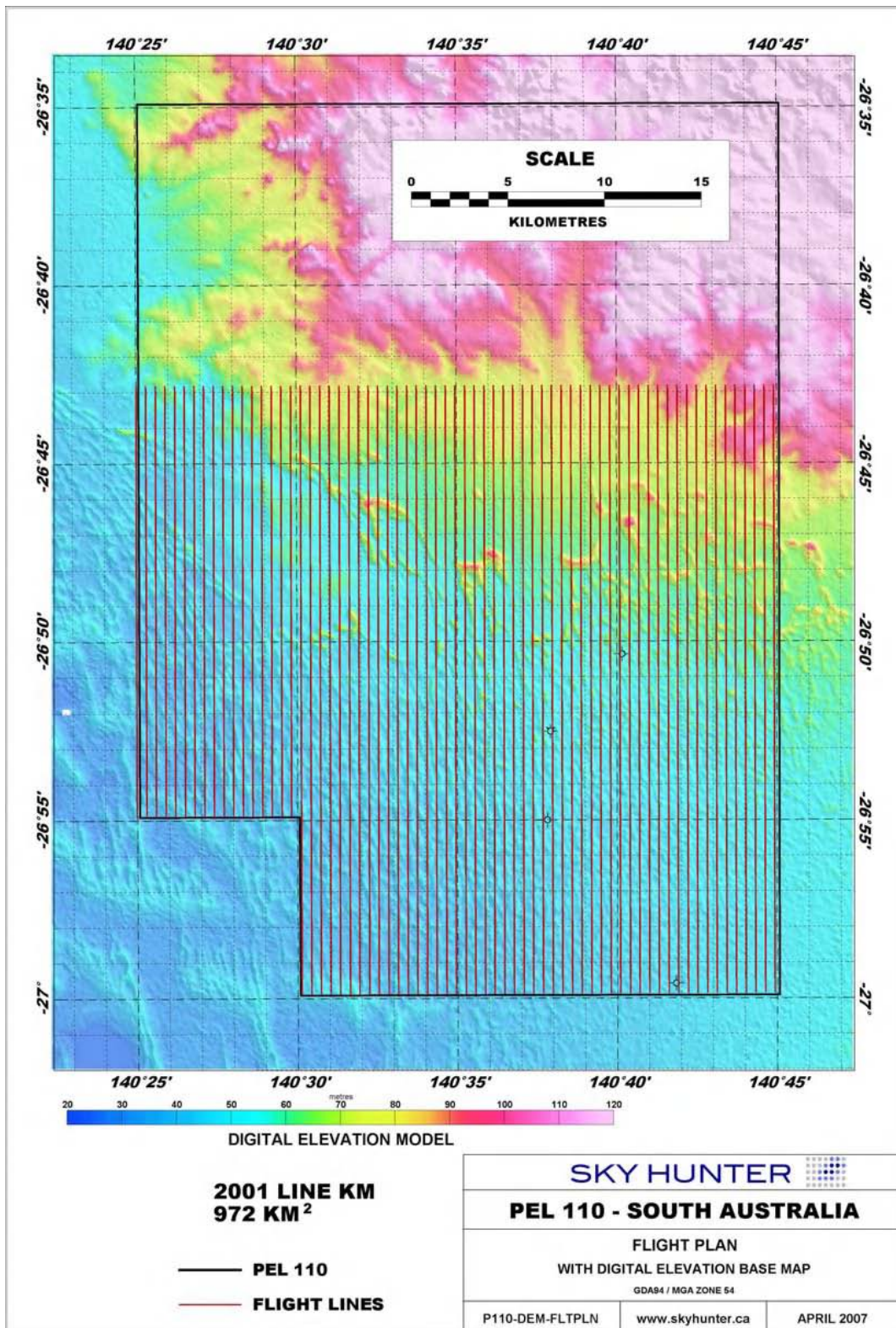


Figure 1: PEL-110 showing location of lines acquired for airborne geochemical survey.

4 Administration

4.1 Regulatory Compliance

A Compliance Report is attached which details the operator's compliance with the 2000 Petroleum Act, its Regulations, the terms and conditions of the Licence, and the agreed Statements of Environmental Objectives governing field operations undertaken during the permit term.

4.2 Data submissions.

A list of the items submitted during the report period is contained in the table below.

Table 1 **PEL 110**
Annual Report
Licence Year4
6th February 2006 to 8th August 2007

List of Reports Submitted

| <u>Title</u> | <u>Date Submitted to PIRSA</u> |
|-------------------------------|--------------------------------|
| Annual Report, Licence Year 3 | 19 th April 2007 |

4.3 Planned Exploration Program for Year 5

The Joint Venture has committed to drill the Bales-1 exploration well to test a structural prospect about 6km west of Pothos-1. The well is expected to spud in the first quarter of 2008.

5 Expenditure statement

A licence expenditure summary for the period 6th February 2006 to 8th August 2007 is presented as Table 2.

Table 2

**PEL 110
Annual Report
Licence Year 4
6th February 2006 to 8th August 2007**

Statement of Expenditure

Drilling Activities

Seismic Activities

Commercial in

Ground Geochemical Survey

Confidence

Administration & Overheads

Geophysical & Geological Studies

| |
|--------------|
| Total |
|--------------|

ANNUAL
COMPLIANCE
REPORT

FOR

PEL 110 - YEAR 4

(FEBRUARY 2006 - AUGUST 2007)

COOPER BASIN, SOUTH AUSTRALIA



Compliance Report for PEL 110 – Year 4

Introduction

Pursuant to Regulation 33 (2) of the 2000 Petroleum Act, Beach Petroleum, as operator of PEL 110 in the Cooper Basin, South Australia, herewith submits its report on compliance with :

- the Petroleum Act,
- its Regulations,
- the PEL License conditions, and
- the various Statements of Environmental Objectives to which Beach Petroleum was committed in conducting its work commitments for Year 4 of the Licence.

A table is attached summarizing the instances during Year 4 of the Permit where Beach Petroleum did not comply with the Regulations or the requirements of the relevant SEO under which it conducted its operations.

Further details of the circumstances surrounding the non-compliances are outlined below.

Petroleum Act and PEL

There were no instances of non-compliance with either the 2000 Petroleum Act or the terms of the Licence during Year 4 of PEL 110.

Regulations of the 2000 Petroleum Act

There were no instances of non-compliance with the Regulations in regard to Beach's **drilling operations** during Year 4 in PEL 110.

There were also no instances of non-compliance with the Regulations in regard to Beach's **seismic operations** in PEL 110 during Year 4 of the Licence.

Statements of Environmental Objectives.

No drilling or seismic operations were undertaken on PEL 110 during Year 4 of the Licence. There were no instances of non-compliance with any SEOs.



Record of Non - Compliance with Regulations

Permit : PEL 110 Year 4 : 6th February 2006 - 8th August 2007

| | | | |
|-----------------|--|--|--|
| Drilling | | | |
|-----------------|--|--|--|

| SEO Non Compliance | Date | Incident Date & Description | Resolution |
|--------------------|------|-----------------------------|------------|
|--------------------|------|-----------------------------|------------|

No incidents of non-compliance

| Report Non Compliance | Date Due | Report Name | Resolution |
|-----------------------|----------|-------------|------------|
|-----------------------|----------|-------------|------------|

No incidents of non-compliance

| Data Submission Non Compliance | Date Due | Data Type | Resolution |
|--------------------------------|----------|-----------|------------|
|--------------------------------|----------|-----------|------------|

No incidents of non-compliance

| | | | |
|----------------|--|--|--|
| Seismic | | | |
|----------------|--|--|--|

| SEO Non Compliance | Date | Incident Date & Description | Resolution |
|--------------------|------|-----------------------------|------------|
|--------------------|------|-----------------------------|------------|

No incidents of non-compliance

| Report Submission Non Compliance | Date Due | Report Name | Resolution |
|----------------------------------|----------|-------------|------------|
|----------------------------------|----------|-------------|------------|

No incidents of non-compliance

| Data Submission Non Compliance | Date Due | Data Type | Resolution |
|--------------------------------|----------|-----------|------------|
|--------------------------------|----------|-----------|------------|

No incidents of non-compliance