



Annual Report

Petroleum Retention Licence 25 (Middleton)

Licence Year 3

2 January 2011 - 17 August 2011

Cooper - Eromanga Basin

-South Australia-

CONTENTS

Page No.

- 1. Introduction 3
- 2. Permit Summary 3
- 3. Regulated Activities 4
- 4. Compliance Issues 4
 - 4.1 Licence and Regulatory Compliance 4
 - 4.2 Management System Audits 5
 - 4.3 Report and Data Submissions 5
 - 4.4 Incidents 5
 - 4.5 Threat Prevention 6
- 5. Expenditure Statement 7

- APPENDIX 1: Expenditure Statement 8

1 Introduction

Petroleum Retention Licence (PRL) 25 was granted to Beach Petroleum Ltd, and Great Artesian Oil and Gas Limited 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 Cooper Basin, South Australia.

Middleton-1, an exploration well in PEL 106 Brownlow Block, 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.

Beach Energy Limited and Great Artesian Oil and Gas Limited were granted a Petroleum Production Licence (PPL) 239 over the Middleton and Brownlow Fields on 17 August 2011. As a consequence of the grant of PPL 239, the underlying PRL 25 was revoked on 17 August 2011.

This report details the work conducted during Year 3 of the Licence (2 January 2011 – 17 August 2011) in accordance with Regulation 33 of the *Petroleum and Geothermal Energy Act 2000*.

2 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 km² approximately.

PRL 25 had an expiry of 1 January 2014, however, the grant of the PPL 239 resulted in the revocation of PRL 25 on 17 August 2011.

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.”

No drilling or seismic activities were conducted during the reporting period.

No production or processing activities were undertaken within PRL 25 during the Year 3 Report Period.

Commercial negotiations with Santos were finalised for the development of the Middleton and Brownlow fields through South Australia Cooper Basin (SACB) infrastructure.

In parallel, Beach conducted engineering studies for development of the Middleton gas field and to evaluate the suitability of selected composite pipe and producing options.

4 Compliance Issues

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.”

4.1 Compliance with Act, Regulations, Licence and SEOs

Section 33 (3c) of the the Petroleum and Geothermal Energy Regulations 2000 requires that an Annual Report be submitted within 2 months after expiration, surrender or cancellation of a permit. As the PRL 25 was revoked on 17 August 2011, an Annual Report for the Licence Year was required by 17 October 2011. The Annual Report was submitted on 12 January 2012 and is therefore non-compliant.

Drilling

No drilling took place in PRL 25 during Licence Year 3 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 3. There were no instances of non-compliance with the Regulations in regard to seismic operations in PRL 25 during Year 3 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 3. There were no instances of non-compliance with the Regulations in regard to production operations in PRL 25 during Year 3 of the Licence, nor were there any instances of non-compliance with the "Statement of Environmental Objectives for Production Operations in the Cooper Basin."

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 has, or will be taken".

No management system audits specific to PRL 25 were conducted during Year 3 of the Licence reporting period.

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".

The annual report for Year 2 of the licence was submitted on 13 May 2011.

No other reports or data were submitted to PIRSA during the period 2 January 2011 to 17 August 2011.

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".*

No reportable incidents occurred during the reporting period.

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 present, 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”.

No threats were present in PRL 25.

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)”.*

Please refer to **Appendix 1** (attached) for the expenditure statement for 2 January 2011 to 17 August 2011.