



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

**Annual Report
Permit Year 5**

9th August 2007 to 8th November 2008

Contents

- 1 Introduction**
- 2 Permit Summary**
- 3 Exploration Activity**
- 4 Administration**
- 5 Expenditure statement**

Figures

Figure 1: Map of Proposed PEL 110 Renewal Area

Appendix : Annual Compliance Report

1 Introduction

Petroleum Exploration Licence No. 110 is situated on the western margin of the Cooper/Eromanga Basin, South Australia. The fifth year of the license covers the period 9th August 2007 to 8th November 2008.

This report details the work performed by the Joint Venture during this fifth year of the license, 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 (Southern) Pty Ltd	37.5%
Cooper Energy Limited	25.0%

The original work commitments for PEL 110 and the actual work carried out are summarised as follows:

Licence Year	Minimum Work Program	Actual Work
Year 1 (5/02//03-4/02/04)	1 well; 152 km ² seismic acquisition; 75 km seismic reprocessing; surface geochemical survey; Geological and Geophysical studies	164 km Albus 2D seismic survey, 321 km 2D reprocessing, Semaphore-1 exploration well, 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 plus Geological and Geophysical studies	Yanergie-1 exploration well plus Geological and Geophysical studies
Year 4 (5/02/06-8/08/07)	Geological and Geophysical studies	surface and aerial geochemical surveys plus Geological and Geophysical studies
Year 5 ^{*1} (9/08/07-8/11/08)	One well ^{*2}	Geological and Geophysical studies

*1 Suspension of Licence for the period from and including 6 March 2008 to 5 June 2008. Permit expiry extended to 8 November 2008.

*2 well substituted for an increased acreage reduction; - a 50 percent reduction in acreage upon renewal rather than a 331/3 percent reduction.

3 Exploration Activity

3.1 Drilling.

No drilling activity took place during Year 5. An exploration well to evaluate the Bales prospect was scheduled as a commitment well, but as the third party that was contracted to drill the well defaulted in meeting this commitment, the well was substituted for an additional reduction in acreage.

3.2 Seismic Data Acquisition

No seismic data was acquired during Year 5.

3.3 Seismic Data Processing/ Reprocessing

No existing seismic data was re-processed during Year 5.

3.4 Geological and Geophysical Studies.

It was intended that the Bales-1 exploration well would be drilled by a third party during Permit Year 5. Technical studies were kept to a minimum, pending the results of the well. Technical work that was undertaken was directed towards progressing a well on the Bales prospect.

3.5 Permit Renewal

A letter was submitted to PIRSA on 8 September 2008 seeking an extension of time to lodge an Application for Renewal of Petroleum Exploration Licence PEL 110. The time for submission was extended to 8 October.

Application to renew PEL 110 for a further five year term was made 7 October 2008. Following discussions with PIRSA, the Joint Venture relinquished 50% of the original Permit rather than normally required 33.33%, in substitution for the drilling of the Term 1 Year 5 well. The substitution of the well for an additional acreage relinquishment allowed the Permit to remain in good standing at the end of Term 1.

The PEL 110 Joint Venture proposed the following work program for the second 5 year term of the Petroleum Exploration Licence over Block 110:

Year 1	G, G & A studies
Year 2	G,G & A studies
Year 3	1 Well plus G,G & A studies
Year 4	G,G & A studies
Year 5	G,G & A studies

Estimated cost of this program is approximately \$3.00 million.

Technical assessment and the results of drilling in the initial five year term indicate that there is still potential for hydrocarbon exploration success in the Petroleum Exploration Licence.

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 Year 5
9/08/07 to 8/11/08

List of Reports Generated and Submitted

Title	Date Due	Date Submitted to PIRSA	Compliant / Non Compliant
Red Sky Geochemical Survey Report		4 Sept 07	
PEL 110 Annual Report (Year 4 -5/02/06 - 8/08/07)	8 Oct 07	21 Sept 07	compliant
PEL 110 Application to Renew Petroleum Exploration Permit	8 Oct 08	7 Oct 08	compliant

4.3 Renewal Program Year 1 Term 2

Geological and Geophysical Studies to be carried out during the first year of the first renewal period include a review of the prospectivity of the remaining area of the Permit and further work directed towards seeing the Bales-1 well or an alternative location drilled within the first three years of the First Renewal Term.

No seismic or drilling is planned for Year 1 of Term 2.

5 Expenditure statement

A Licence Expenditure Summary for the period 9/08/07 to 8/11/08 is presented as Table 2:

Table 2

PEL 110
Annual Report
Licence Year 5
9/08/07 to 8/11/08

Statement of Expenditure

Commercial in Confidence

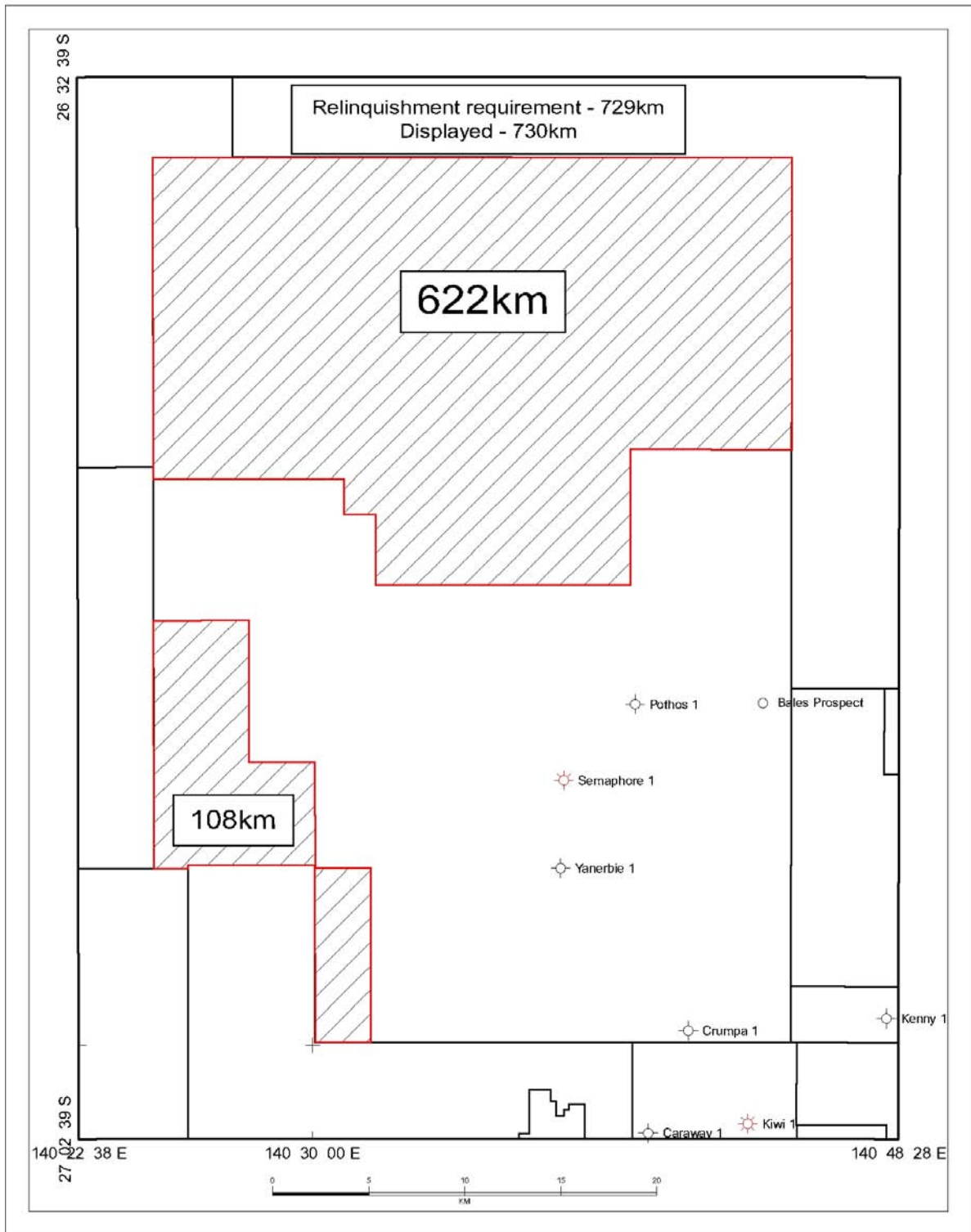


Figure 1: Map of Proposed PEL 110 Renewal Area

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 (SEOs) to which Beach Petroleum was committed in conducting its work commitments for Year 5 of the Licence.

The work program was minimal and did not include any drilling or seismic activity. There were no instances of non compliance for the Permit Year. In order to remain compliant for the Permit Year, the Joint Venture substituted a year 5 commitment well for a reduction in acreage.

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 5 of Term 1, PEL 110.

Regulations of the 2000 Petroleum Act and Applicable SEOs

- **Drilling**

As no drilling took place in PEL 110 during Permit Year 5, there were no instances of Non-compliance with the Regulations in regard to Beach's **drilling operations** in PEL 110, nor were there any instances of non-compliance with the "Statement of Environmental Objectives for Drilling in the Cooper Basin." All reports relevant to earlier drilling had been submitted to the Department prior to Permit Year 5.

- **Seismic**

As there were no seismic field operations, no reprocessing of existing seismic data and no seismic reports due during permit Year 5, there were no instances of non-compliance with the Regulations in regard to Beach's **seismic operations** in PEL 110 during Year 5 of the Licence, nor were there any instances of non-compliance with the "Statement of Environmental Objectives for Seismic Operations in the Cooper Basin."