



PEL 186

Supplementary Annual Report

Year ending 27 July 2011

(Extended Year 5)

**Otway Basin
South Australia**

1. Introduction

Petroleum Exploration Licence 186 (PEL 186) was granted on 28 July 2005. The Licence is located on the western margin of the Otway Basin, South Australia.

This Supplementary Annual Report for PEL 186 details the work conducted during the 12 month period ending 27 July 2011 and has been prepared in accordance with the requirements of section 33 of the Petroleum and Geothermal Energy Regulations 2000.

2. Permit Summary

In March 2011 Somerton Energy Limited acquired a 100% equity in PEL 186 from Geothermal Resources Limited. In June 2011 Beach Energy Limited acquired a 66.67% equity in PEL 186 from Somerton.

The current registered interests in PEL 186 are:

- Beach Energy Limited 66.67%
- Somerton Energy Limited 33.33%

Somerton Energy Limited is the Operator of the PEL 186 Joint Venture.

Table 1: Current Commitments for PEL 186

Licence Year	Beginning	Ending	Minimum Work Program
Year 1	28 Jan 2005	27 Jan 2006	Gravity Survey, Geological & Geophysical Studies
Year 2	28 Jan 2006	27 Jan 2007	Gravity Survey, Geological & Geophysical Studies
Year 3	28 Jan 2007	27 Jan 2008	Data Review
Year 4	28 Jan 2005	27 July 2009	30 Km 2D Seismic; Geological & Geophysical Studies
Year 5	28 July 2009	27 April 2012	Drill one well

In March 2011, PIRSA granted a suspension of the work commitments under the licence condition for the period 28 April 2011 to 27 April 2012 and extended the licence term by the corresponding period of the suspension. The first renewal term of PEL 186 expires on 27 April 2012.

3. Regulated Activities

3.1 Drilling and Related Activities

No wells were drilled in PEL 186 during the current reporting period.

3.2 Seismic Data Acquisition

No seismic data were acquired in PEL 186 during the current reporting period.

3.3 Seismic Data Processing and Reprocessing

No seismic data were processed or reprocessed during the current reporting period.

3.4 Geochemical, Gravity, Magnetic and other Surveys

There were no Geochemical, Gravity, Magnetic or other surveys conducted in PEL 186 during the current reporting period.

3.5 Geological and Geophysical Studies

Geological and Geophysical Studies during the current reporting period consisted of the commencement of a proprietary regional study, undertaken by FrOG Tech Pty Ltd, which will further assess and quantify the shale prospectivity within the onshore Otway Basin. The study will involve detailed mapping of the extent, nature and prospectivity of shale intervals within the Casterton and lower Pretty Hill Formations and will allow better quantification of the potential resource base as well the identification of potential 'sweet-spots' of higher prospectivity.

Although regional in nature, a key objective of the study is to assist in determination of the presence and location, or otherwise, of the Casterton Formation (or other prospective shale units) in PEL 186 which will be utilised to determine the forward exploration program in the tenement.

The study is scheduled for completion in September 2011.

4. Compliance Issues

4.1. Licence and Regulatory Compliance

There were no instances during the current reporting period 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 current reporting period in which the Joint Venture failed to comply with the Conditions of the Licence.

Regulatory Non-Compliance

There were no instances during the current reporting period 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 current reporting period in which the Joint Venture failed to comply with the Statements of Environmental Objectives related to PEL 186.

4.2. Management System Audits

No management system audits were undertaken during the current reporting period.

4.3. Report and Data Submissions

No reports were submitted during the current reporting period.

4.4. Incidents

There were no incidents arising from the operations undertaken on PEL 186 during the current reporting period.

4.5. Threat Prevention

There are no threats foreseeable to any future exploration activities in PEL 186.

4.6. Future Work Program

The program for the remainder of the extended Permit Year 5 will consist of completion of the FrOG Tech study and the integration of its results with seismic interpretation to be undertaken by the PEL 186 J.V. This work will then be utilised to determine the forward exploration program for the tenement. Contingent upon the results of this work and rig availability, it is expected that one exploration well will be drilled in PEL 186 in the first quarter of 2012.

5. Expenditure Statement