

## HIGHLIGHTS

### Corporate

- Settlement of \$14 million receivable from Essential Petroleum Limited for a 51% interest in the company and 50% of PEP 168.
- Post quarter end, agreements entered into with Lakes Oil N.L. and Sundance Energy Australia Limited to participate in unconventional oil and gas projects.

### Operations

- Cooper Basin flooding resulted in a further reduction in 2010 financial year production guidance to 7.4 MMboe.
- Oil production from Beach's high margin operated Cooper oil assets is expected to be relatively unaffected by flooding primarily due to the installation of a pipeline network to gather production from its western flank Cooper Basin oil fields.
- Development well in the North Shadwan Concession, Egypt, yielded a 107 metre oil column, with enhanced reservoir quality compared to the neighbouring NS377-3 well.
- Production from this first North Shadwan field is anticipated within months, while development drilling will now focus on the NS385 oilfield to the south.

### Financial

- Partially franked 0.75 cents per share interim dividend declared, paid to shareholders 23 April 2010.
- Insurance recovery of \$4.5 million received from the drilling last financial year of the PeeJay-1 well in the Bass Basin.
- Cash reserves stood at \$140 million at the end of the quarter.

### Key Quarterly Statistics

	December 2009	March 2010	% Change
Production (kboe)	1,914	1,725	(11%)
Revenue (\$ million)	133.9	102.3	(24%)
Oil Price (\$ per barrel)	92.24	84.56	(8%)
Net cash (\$ million)	117.8	140.7	19%



#### **Hector Gordon**

Chief Executive Officer

28 April 2010

Ref: #043/10

*This report contains information on Beach's Reserves and Resources which have been compiled by Mr Gordon Moseby, who is a full time employee of Beach, is qualified in accordance with ASX listing rule 5.11 and has consented to the inclusion of this information in the form and context in which it appears.*



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### directors

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**Robert Kennedy**

*Managing Director*

**Reginald Nelson**

*Executive Director / Chief Executive Officer*

**Hector Gordon**

*Independent Non-executive Deputy Chairman*

**Glenn Davis**

*Independent Non-executive Director*

**John Butler**

**Franco Moretti**

**Neville Alley**

## CORPORATE

### Essential Petroleum Limited

In February 2010, Beach Energy Limited ("Beach") settled its \$14 million receivable from Essential Petroleum Limited ("Essential") as follows:

- \$2.75 million for a 50% interest in onshore permit PEP 168;
- \$1.00 for a 51% interest in Essential; and
- the balance of the debt was forgiven.

In April 2010, Beach's CEO, Hector Gordon, was appointed to act as Managing Director of Essential, to oversee its recapitalisation and rebuilding phase.

### Unconventional Oil & Gas Farms

Subsequent to the end of the March quarter, in mid-April, Beach entered into two agreements, to enhance the company's unconventional oil and gas portfolio. The first agreement is with Lakes Oil N.L., under which Beach will pay up to \$10 million for a 15% interest in PRL2, located onshore in the Gippsland Basin, with the option of earning 50% by contributing a total of \$50

million. The Wombat gas field, contained within PRL2, has been estimated to contain a most likely contingent resource (or 2C) of 293 billion cubic feet of gas. The second agreement is with Sundance Energy Australia Limited, in which Beach will pay US\$1.3 million for an 18.5% interest in lease area section 25, being part of Sundance's South Antelope oil prospect in the Bakken shale of North Dakota in the USA.

## PRODUCTION & SALES

Total production during the quarter was 1.7 MMboe, 11% lower than the previous quarter (1.9 MMboe). The decrease was due to weather related downtime associated with the Cooper Basin rain events and subsequent flooding. On 24 March 2010, Beach announced that forecast production for the 2010 financial year had been reduced from 8.0 MMboe to 7.8 MMboe. As the impact of flooding is expected to continue to have an effect for a number of months, forecast production has been further revised down by 0.4 MMboe to 7.4 MMboe.

Significantly, oil production from Beach's high margin operated Cooper oil assets is still expected to be relatively unaffected, primarily

Quarterly Production		March 2009	December 2009	March 2010	% Change	YTD
Oil (kbbl)	Cooper & Eromanga Basins	703	660	512	(22%)	1,838
	Gippsland Basin	217	37	139	278%	239
	Total Oil	920	696	652	(6%)	2,078
Sales Gas (PJ)	Surat Basin*	1.1	0.0	0.0	0%	0.0
Sales Gas & Ethane (PJ)	Cooper Basin	6.5	6.2	5.3	(14%)	18.1
LPG (kt)	Cooper Basin	12.0	11.7	10.6	(9%)	33.8
Condensate (kbbl)	Cooper Basin	80	89	72	(19%)	249
<b>TOTAL OIL &amp; GAS (kboe)</b>		<b>2,398</b>	<b>1,943</b>	<b>1,725</b>	<b>(11%)</b>	<b>5,708</b>

\* Beach's Surat Basin assets were disposed on in April 2009

as a result of the installation of a pipeline network to gather production from its western flank Cooper Basin oil fields.

### BMG FPSO Repairs Scheduled

Thruster bearing replacement work on the Crystal Ocean FPSO has, subsequent to quarter end, been completed. Although it will have some effect on production for the next quarter, production is about to be resumed.

### Sales

Total oil and gas sales volumes for the March quarter were 2.0 MMboe, 19% lower than the December quarter (2.4 MMboe) mainly due to lower production levels.

### Hedging

During the quarter, Beach entered into a new WTI oil price hedge, with a floor (or put option) to guarantee a minimum price of US\$60/bbl for 50,000 bbls per month.

Quarterly Sales		March 2009	December 2009	March* 2010	% Change	YTD*
Oil (kbbbl)	Cooper & Eromanga Basins	764	848	553	(35%)	2,144
	Gippsland Basin	292	0	75	> 100%	146
	Total Oil	1,056	848	628	(26%)	2,290
Sales Gas (PJ)	Surat Basin	1.0	0.0	0.0	0%	0.0
Sales Gas & Ethane (PJ)	Cooper Basin	6.4	7.9	6.8	(14%)	23.8
LPG (kt)	Cooper Basin	16.1	10.8	13.3	23%	36.4
Condensate (kbbbl)	Cooper Basin	119	134	66	(51%)	330
<b>TOTAL OIL &amp; GAS (kboe)</b>		<b>2,572</b>	<b>2,428</b>	<b>1,969</b>	<b>(19%)</b>	<b>6,997</b>

\* includes sales of oil and gas purchased from third parties for the March quarter of 88 kbbbls (YTD 461 kbbbls) and 1.6 PJ (YTD 5.0 PJ) respectively

Quarterly Revenue		March 2009 A\$000	December 2009 A\$000	March* 2010 A\$000	% Change	YTD* A\$000
Oil	Cooper & Eromanga Basins	58,420	78,179	46,937	(40%)	184,549
	Gippsland Basin	20,076	48	6,152	> 100%	12,020
	Total Oil	78,496	78,227	53,089	(32%)	196,569
Gas & Gas Liquids	Surat & Cooper Basins	50,788	55,688	49,259	(12%)	165,126
<b>TOTAL OIL &amp; GAS</b>		<b>129,284</b>	<b>133,915</b>	<b>102,348</b>	<b>(24%)</b>	<b>361,695</b>
<b>Average Realised Price (A\$/boe)</b>		<b>50.27</b>	<b>55.15</b>	<b>51.98</b>	<b>(6%)</b>	<b>51.69</b>
<b>Average Realised Oil Price (A\$/bbl)</b>		<b>74.33</b>	<b>92.24</b>	<b>84.56</b>	<b>(8%)</b>	<b>85.85</b>

\* includes sales of oil and gas purchased from third parties for the March quarter of \$7.1 million (YTD \$39.5 million) and \$6.2 million (YTD \$18.5 million) respectively

Period	Floor US\$80/bbl TAPIS	Oil Hedged At		Total Hedged Volumes (bbls)
		Floor US\$60/bbl WTI	Floor US\$55/bbl WTI	
Remaining 2009/2010	150,000			150,000
2010/2011		600,000	300,000	900,000
<b>Total</b>	150,000	600,000	300,000	1,050,000

Beach also entered into a USD currency hedge, with a collar between AUD/USD of 0.7200 to 0.9000 for US\$2 million per month.

All new hedges are for the period July 2010 to June 2011, to give further protection against a potential fall in the oil price and rise in the Australian dollar.

Period	Currency Hedged At						Total Hedged Currency (US\$'million)
	Ceiling US\$0.9150	Collar US\$0.4988 to US\$0.7500	Ceiling US\$0.9000	Collar US\$0.7500 to US\$0.8710	Ceiling US\$0.9990	Collar US\$0.7200 to US\$0.9000	
Remaining 2009/2010	6.0	6.0	6.0				18.0
	(AUD 6.6)	(AUD 8.0)	(AUD 6.7)				(AUD 21.2)
2010/2011				24.0	24.0	24.0	72.0
				(AUD 27.6)	(AUD 24.0)	(AUD 26.7)	(AUD 78.2)
<b>Total</b>	6.0	6.0	6.0	24.0	24.0	24.0	90.0
	(AUD 6.6)	(AUD 8.0)	(AUD 6.7)	(AUD 27.6)	(AUD 24.0)	(AUD 26.7)	(AUD 99.5)

## EXPLORATION & DEVELOPMENT

Quarterly Capital Expenditure	March 2009 A\$ million	December 2009 A\$ million	March 2010 A\$ million	% Change	YTD A\$ million
Exploration & Appraisal	57.8	9.8	(7.6)	(177%)	32.5
Development, Plant & Equipment	57.7	31.0	17.0	(45%)	84.8
<b>TOTAL</b>	<b>115.5</b>	<b>40.8</b>	<b>9.5</b>	<b>(-77%)</b>	<b>117.3</b>

Capital expenditure fell by 77% in the March quarter (refer table above) largely due to flooding in the Cooper Basin. Exploration expenditure during the quarter benefited by some recoupment of costs, mainly from an insurance recovery from the drilling last financial year of the PeeJay-1 well in the Bass Basin, \$4.5 million as well as a reallocation of other costs from exploration to development, \$3.8 million.

### COOPER & EROMANGA BASINS

#### Beach Operated

##### Development

Extended production tests to assess gas volumes and potential flow rates for the Brownlow and Canunda gas/condensate discoveries in the PEL 106 FI Block (Beach 50%), commenced in January with Brownlow-1. The test was suspended and has not been able to recommence due to wet weather and flooding.

Artificial lift projects have been approved by the PEL 92 (Beach 75%) Joint Venture for the Butlers and Perlubie South wells. These projects will produce a combined initial incremental rate of several hundred barrels of oil per day, gross.

Reviews of all Beach operated fields are underway to identify drill, in-wellbore and surface optimisation opportunities.

#### Exploration

A six well drilling program, including four wells in PEL 91 (Beach 40%) and two in PEL 92 (Beach 75%), planned for second quarter 2010, has been deferred. Start date for the program will be dependent upon the extent of flooding in the region and rig availability. Prospects to be addressed are within existing 3D seismic data areas and near to recent discoveries.

A total of 210 square kilometres of 3D and 230 kilometres of 2D seismic were acquired in PEL 92 (Beach 75%) during the quarter.

The PEL 91 Joint Venture (Beach 40%) approved a 434 square kilometre 3D seismic survey which will address exploration prospectivity in the block. Acquisition will commence when seismic crews are able to gain access to the area. Floodwaters from the Cooper Creek may impact on the extent of the survey that can be acquired.



The recently acquired Acavus 3D seismic survey in ATP633P (Beach 100%, Santos earning 50%) is currently being processed. The final dataset is expected by end April 2010.

### **Shale Gas**

Planning continued during the quarter on design of the Holdfast-1 shale gas exploration well in PEL 218 (Permian strata: Beach 90%). A rig has been contracted and will commence drilling in July. Subsequent to the end of the quarter, plans for a second shale gas exploration well, Encounter-1, approximately 20 kilometres south east of Holdfast, were announced.

### **Santos Operated - Oil**

Three oil appraisal/development wells were drilled during the period, all of which were successful. Four wells drilled on the Tickalara Field (Total 66 Block, Queensland, Beach 30%), during the March 2010 and December 2009 quarters, have proved the extent of undrained oil on the flanks of the oilfield and may lead to further drilling later in 2010. During the same period, three wells on the Narcoonowie Field in South Australia were successful, with Narcoonowie-10 the highlight, discovering a new oil pool in the Namur Sandstone.

Drilling was suspended late in the quarter due to flooding. Subject to no further rain, it is anticipated that drilling in Queensland may recommence mid-May.

### **Santos Operated – Gas and Permian Oil Development**

Two rigs were moved to the Coonatie Field in South Australia for a seven-well gas program that is expected to develop 21 BCF of gas reserves. These wells are designed to access gas located on the flanks of the large Coonatie

dome. The first of these wells reached total depth but local rain and flooding have prevented the well from being cased. The two rigs were subsequently isolated by floodwaters, with road access not expected until mid-June for one rig and mid-July for the second rig.

### **EGYPT**

#### **North Shadwan (Beach 20%)**

The NS377-5 development well was cased and completed after encountering a 107 metre gross oil column in the primary target Kareem Sandstone. Although a smaller column was encountered than in neighbouring NS377-3 (145 metres), reservoir quality is better and the well is anticipated to produce at a similar rate to NS377-3, in the range 1,500 to 2,000 barrels of oil per day. Artificial lift was installed prior to the rig release.

The Operator (BP Egypt) has indicated first production from the field is anticipated during the second half 2010. Development drilling will next focus on the NS385 oilfield to the south. The NS377-4 (Teen-1) exploration well was plugged and abandoned.

#### **South East July (Beach 20%)**

Dana Petroleum PLC has taken over as operator of the permit from Santos.

#### **BMG PROJECT (Beach 30%)**

During the quarter ROC Oil Limited, the Operator, announced a reserve write down for the BMG project from 18 MMbbl of oil to 3 MMbbl based upon an integrated subsurface review. At 30 June 2009, Beach reduced its reserve booking by 60% to 2.4 MMbbl. The Operator's new reserve estimate could imply a net 2P reserve to Beach approximately 1 MMbbl below that currently booked, net of year to date





production. However, Beach will formalise its reserve position after ongoing study work has been completed.

The process to procure a new FPSO for the project has been suspended awaiting the outcome of the reserves review.

The BMG Joint Venture is revising the list of potential development options to determine the most economic way forward for the existing oil project, as well as the potential incorporation of the gas project.

## OTHER EXPLORATION

### Albania - Durresi Block (Beach earning 25%)

The Joint Venture is waiting for advice that the submission of the Petroleum Complimentary Agreement (PCA) to the Council of Ministers has been ratified. Upon ratification, an effective date will be set for commencement of concession operations.

### New Zealand - PEP 38259 Canterbury (Beach 20%)

Re-processing of the Barque 2D seismic survey was completed and final sections were distributed to the Joint Venture in early February 2010. Interpretation has commenced.

### Geothermal - Paralana Project (Beach 21% - earning)

Cased hole logging at Paralana-2 has been completed. Temperature measurements at 3,674 metres, near the maximum accessible depth in the borehole, indicated a temperature of 176°C. This exceeds the minimum temperature of 170°C targeted for development of the resource.

Plans for perforation and fracture stimulation of the prospective zones in Paralana-2 may be delayed to May/June, or later, due to flood waters restricting mobilisation of equipment from Moomba.

## FINANCIAL INFORMATION

During the March quarter Beach declared and paid an interim partially franked dividend of 0.75 cents per share based on its interim financial results for the six months ended 31 December 2009.

Details of 2010 interim dividend	
Record date	31 March 2010
Payment date	23 April 2010
Amount of dividend	0.75 cents per share
Franking percentage	13.33%
DRP share issue price	\$0.73
DRP discount	5%
DRP pricing period	7-16 April 2010

Cash reserves rose by \$22.9 million primarily due deferral of maintenance and capital costs resulting from flooding in the Cooper Basin. Beach continues to be in a strong financial position with an increasing cash reserve of over \$140 million, nil debt and a \$25 million working capital facility at its disposal.

Capital Structure	December 2009	March 2010	% Change
Fully paid ordinary shares	1,080,653,789	1,080,653,789	0%
2008 Bonus Options	102,552,082	102,552,082	0%
Unlisted employee options	12,531,510	12,531,510	0%
Unlisted employee rights	5,343,187	5,343,187	0%



## DRILLING PROGRAM

Beach participated in five conventional oil/gas wells during the March quarter. Overall, four of the five wells drilled were successful, indicating an 80% success rate.

Area	Category	Wells	Successes	Success Rate
Cooper	Exploration - Oil	1	0	0%
	Appraisal - Oil	1	1	100%
	Development - Oil	2	2	100%
Egypt	Development - Oil	1	1	100%
	<b>TOTAL</b>	<b>5</b>	<b>4</b>	<b>80%</b>

## APPENDIX 1 – TENEMENT LIST

Basin	State/Country	Tenement	%
Cooper/Eromanga	Queensland	ATP 259P (Naccowlah Block and PLs)	38.50%
		ATP 259P (Alkina Block)	28.00%
		ATP 259P (Aquitaine A Block)	22.50%
		ATP 259P (Aquitaine B Block)	20.00%
		ATP 259P (Aquitaine C Block)	25.20%
		ATP 259P (Innamincka Block)	30.00%
		ATP 259P (Total 66 Block)	30.00%
		ATP 259P (Wareena Block)	28.80%
		PL 55 (50/40/10)	40.00%
		PL 31 (Bodalla South Oil Field)	100%
		PL 32 (Kenmore Oil Field)	100%
		PL 47 (Black Stump Oil Field)	100%
		PL 184 (Thylungra Gas Discovery)	75.40%
		ATP 269P (Glenvale / Bargie JV)	93.9%
		ATP 269P (Coolum / Byrock JV)	46.95%
Cooper/Eromanga	South Australia	SWQ Gas Unit	23.20%
		ATP 633P	100%
		ATP 855P	25%
		PPL 203 (Acrasia Oil Field)	25.00%
		PPL 204 (Sellicks Oil Field)	75.00%
		PPL 205 (Christies Oil Field)	75.00%
		PPL 209 (Harpoono Oil Field)	33.33%
		PPL 210 (Aldinga Oil Field)	50.00%
		PPL 211 (part of Reg Sprigg West Field)	25.00%

Basin	State/Country	Tenement	%
Cooper/Eromanga (cont.)	South Australia	Reg Sprigg West Unit	6.25%
		PPL 212 (Kiana Oil Field)	40.00%
		PPL 220 (Callawonga Oil Field)	75.00%
		PPL 224 (Parsons Oil Field)	75.00%
		PEL 90 (Candra Block)	25.00%
		PEL 91	40.00%
		PEL 92	75.00%
		PEL 94	50.00%
		PEL 95	50.00%
		PRL 25 (Middleton Gas Field)	50.00%
		PEL 107	40.00%
		PEL 113 (Saintly Block)	33.3%
		PEL 113 (Harpoono/Dunoon Block)	33.3%
		PEL 218 (Permian)	90.00%
		PEL 218 (Post Permian)	23.33%
Arrowie	South Australia	Udacha Unit	15.00%
		Patchawarra East	17.14%
		Fixed Factor Agreement	20.21%
Arrowie	South Australia	SA Unit	20.21%
		GEL 156	21.00%
		GEL 254	21.00%
Arrowie	South Australia	GEL 336	21.00%
		PRL 13 (Killanoola Field)	30.00%
		Bass	Tasmania
T/39P	50.00%		
Otway	Victoria	PPL 6 (McIntee Gas Field)	10.00%
		PPL 9 (Lavers Gas Field)	10.00%
		PRL 1 (Buttress North)	10.00%
		PEP 150	50.00%
		PEP 168	50.00%
Gippsland	Victoria	VIC L26 (Basker, Manta, Gummy)	30.00%
		VIC L27 (Basker, Manta, Gummy)	30.00%
		VIC L28 (Basker, Manta, Gummy)	30.00%
Browse	Western Australia	WA-281-P	7.3394%
		WA-411-P	9.7637%
Carnarvon	Western Australia	WA-208-P	10.00%
		WA-264-P	16.67%
Canterbury	New Zealand	PEP 38259	20.00%
Taranaki	New Zealand	PEP 38482	20.00%
Papuan	Papua New Guinea	PRL 1	6.36%
	Spain	H22007 (Abiego)	25.00%
		H22008 (Peraltilla)	25.00%
		H22009 (Barbastro)	25.00%
		H22010 (Binefar)	25.00%
	Albania	Durresi Block	25.00%
	Egypt	South East July	20.00%
North Shadwan		20.00%	

## APPENDIX 2 – GLOSSARY

\$	Australian dollars	kbbbl	thousand barrels of oil
1P	Proved	kboe	thousand barrels of oil equivalent
2P	Proved and Probable	ktonne	thousand tonne
3P	Proved, Probable and Possible	MMbbl	million barrels of oil
bbl	barrels	MMboe	million barrels of oil equivalent
BCF	billion cubic feet	MMcfd	million standard cubic feet of gas per day
boe	barrels of oil equivalent -- the volume of hydrocarbons expressed in terms of the volume of oil which would contain an equivalent volume of energy. (For example, 1 BCF of gas equals approximately 0.18 million boe, the exact conversion being dependent on the gas composition)	P&A	Plugged and abandoned
bopd	barrels of oil per day	PJ	petajoule
boepd	barrels of oil equivalent per day	TJ	terajoule
bwpd	barrels of water per day	TVT	true vertical thickness
BMG	Basker-Manta-Gummy oil and gas fields in the Gippsland Basin, offshore Victoria		
C&S	Cased and Suspended		
CSG	Coal Seam Gas		
DST	Drill Stem Test		
EBITDAX	Earnings before Interest, Tax, Depreciation and Amortisation and Write-downs.		
EPT	Extended Production Test		
FPSO	Floating Production, Storage and Offtake vessel		
FSO	Floating Storage and Offtake vessel		
GJ	gigajoule		