

Beach Energy Limited: Proposal For 750PJ Of Cooper Basin Joint Venture Gas Supply To Santos GLNG Project

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Perth, Australia (ABN Newswire) - Beach Energy Limited (ASX: BPT) (PINK: BEPTF) in discussions with Santos regarding a proposal for a new large scale supply of 750PJ of gas from the Cooper Basin Joint Venture to Santos' (ASX: STO) GLNG project.

This proposal highlights the strategic importance of the Cooper Basin as one of eastern Australia's key sources of gas supply for both domestic and emerging export markets.

Beach Energy Limited (Beach) is a participant in the South Australian Cooper Basin Joint Venture (SACB JV) where it holds a 20.21% interest. The other participants are Santos Limited (Santos) and Origin Energy.

The SACB JV has received a proposal from Santos for the supply of 750 petajoules (PJ) of gas, commencing in 2014, to the GLNG project. Beach's share of this gas supply volume would be approximately 152 PJ, with a proposed contract term of 15 years.

The proposal involves the supply of uncontracted gas from the Cooper Basin to be delivered to the Wallumbilla gas hub in Queensland.

Santos is proposing that the gas pricing structure would be oil-linked. At the current oil price, it is expected that the gas price received would be at a premium to the prevailing eastern Australian domestic gas price.

While discussions between the SACB JV and Santos are incomplete, and the terms of any potential agreement remain subject to ongoing dialogue between all relevant parties, Beach's Managing Director, Mr Reg Nelson, welcomed the initiative and the prospect of enhancing opportunities in the basin.

Beach is well placed to play a significant role in unlocking the future potential of the Cooper Basin with existing reserves and a booked contingent resource totalling approximately 1500 PJ of gas and 46 million barrels of oil equivalent gas liquids in its Cooper Basin holdings. In addition to this, Beach has a large operated acreage position targeting unconventional gas in the Cooper Basin, particularly in the Nappamerri Trough, where potential gas in place volumes are estimated to be in excess of 200 trillion cubic feet.

The potential opportunity to supply the GLNG project will optimise the well established Cooper Basin infrastructure and likely stimulate longer-term investment in the basin.

It is not anticipated that there will be any requirement for significant capital expenditure prior to 2014 in order to deliver the GLNG volumes.

Mr Nelson said, 'This significant additional demand for gas heralds a new era for the Cooper Basin. This proposal brings a new large scale customer with export market opportunities. I believe that it will potentially open other doors into the world of LNG supply. If this gas supply deal is consummated, it will also set the foundation for ongoing growth and optimisation of Cooper Basin gas supplies for the next 20 years and beyond, where we will be seeking to develop further volumes to place into domestic and export markets.'

'This validates Beach's long-term strategy of positioning around Cooper Basin gas supply. We have been planning for quite some time not only to unlock the next phase of the Cooper Basin through our existing asset base, but also to supplement it with acreage that has the potential to deliver more gas for many decades to come.'

'This has already started, with the commencement of Beach's shale gas drilling campaign in the Nappamerri Trough east of Moomba.'

Beach commenced drilling the Encounter-1 shale gas exploration well in PEL 218 (Beach 90%) in early October. This well will be immediately followed by a second exploration well, Holdfast-1, with a pilot well

planned in the first half of 2011.

Mr Nelson said, 'The emergence of the shale gas industry in the USA has been revolutionary in terms of unlocking a vast new resource. Most importantly, over the last few years, costs have been reduced dramatically. Various industry forecasts suggest that shale gas, which contributed to approximately 14% of US Lower-48 States production in 2009, will double by 2020. Interestingly, coal seam gas, which produced approximately 9% of US Lower-48 States production in 2009, is forecast to fall to around 7% by 2020. This sends a clear message as to the likely future trends in energy supply, that has much broader implications than just the US situation'.

'If we are able to achieve in the Cooper what has been realised in analogous plays such as the Haynesville Shale of east Texas and Louisiana, I firmly expect that the Cooper will emerge as a very competitive source of gas for domestic and export markets.'

'Beach has already positioned itself for these markets, with its strategic alliance with Itochu for LNG for the Japanese market and its other initiatives in relation to power generation, fertiliser production and gas-to-liquids. So we are now greatly encouraged by this new proposal.'

Competent Person's Statement

This report contains information on Beach's reserves and resources which has been compiled by Mr Neil Gibbins, who is a full-time employee of Beach, 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.

About Beach Energy Limited:

Beach Energy Limited (ASX: BPT) is a long established oil and gas Exploration and Production Company. Based in Adelaide, South Australia, the Company has oil and gas reserves of 66 million barrels of oil equivalent (at 30 June 2009), an annual production in the 2008/09 Financial Year of 9.6 million barrels of oil equivalent and an active exploration program within a balanced global portfolio of tenements.

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