



File Ref: 2004/00080-V02

3 February 2011

Mr Allan Lahne  
Production Manager  
Beach Energy Limited  
GPO Box 175  
ADELAIDE SA 5001

Attention: Denny Kotru

Dear Allan,

### **Low Level Official Surveillance Status for Oil Production Activities**

I refer to Beach Energy's letter dated 27 November 2009 requesting low level official surveillance pursuant to Section 74(2) of the *Petroleum and Geothermal Energy Act 2000* (the Act). I also refer to documents submitted by Beach Energy on 16 September 2010 and 17 November 2010; PIRSA's letter dated 29 November 2010; and the extract from the Minutes of the Beach Energy Directors Meeting held 23 December 2010, as submitted to PIRSA on 17 January 2011.

In response, pursuant to delegated powers under the Act, I hereby classify under Section 74(4) of the Act the following activities undertaken by Beach Energy as requiring low level official surveillance:

- construction activities, except for the installation of facilities and flowlines for gas production; and
- the operation of all facilities, flowlines and associated activities for oil production.

The installation and operation of facilities and flowlines for gas production will continue to be classified as requiring high level official surveillance.

The grant of low level official surveillance status will be subject to the following conditions:

- 1) Beach Energy demonstrating the achievement of performance measures against the actions detailed in the HSE Strategic Plan 2010-2013 and endorsed by the Beach Energy Board of Directors.

As previously agreed, this demonstration will be facilitated through regular (annual) compliance auditing against AS 4801 by a competent third party, assessing improvement in management system effectiveness through increased compliance with AS4801 as noted in the figure entitled "Beach Energy IMS Strategic Plan", contained in the Presentation entitled "Beach Energy HSE Strategic Planning Workshop Aug 3- 2010.

In support of this condition, PIRSA requests to be invited to attend compliance audits in an observation capacity.

- 2) In relation to the AS2885 Compliance Audit Report, Beach Energy submitting the following:
  - a) The finalised AS 2885 Compliance Audit Report.
  - b) An improvement plan describing how it will address the report's recommendations to PIRSA's satisfaction.
  - c) A detailed description of how Beach Energy intends to monitor compliance against AS2885 to ensure the flowline management system continues to be effective.
- 3) In relation to Beach Energy's Production SEO audit report, Beach Energy submitting an improvement plan describing how it will address the report's recommendations to PIRSA's satisfaction, in particular the following systematic shortfalls relevant to achieving compliance with the SEO:
  - a) Effectiveness of communication of regulatory requirements to field personnel.
  - b) Effectiveness of Beach Energy's contractor management systems, including adequate supervision and communication of regulatory requirements.
  - c) Effectiveness of Beach Energy's ongoing environmental monitoring procedures such regular site inspections.
- 4) Beach Energy conducting regular audits assessing SEO compliance for both drilling and production activities and submitting subsequent reports to PIRSA to demonstrate systems implemented by Beach Energy to achieve compliance with the SEO continue to be effective.

Under this classification, please be aware that Beach Energy is required to submit activity notifications pursuant to Regulation 18 of the Petroleum and Geothermal Energy Regulations 2000.

Finally, pursuant to Section 74(5) of the Act, Beach Energy's annual fees for production licences will be reduced by 50% of the prescribed fee as from the date of commencement of the next licence year/s.

If you have any questions in relation to this matter please contact Michael Malavazos, Chief Engineer, on (08) 8463 3245.

Yours sincerely,



**C.D. Cockshell**  
**A/DIRECTOR PETROLEUM & GEOTHERMAL GROUP**  
**MINERALS AND ENERGY DIVISION**  
**Delegate of the Minister for Minerals Resources Development**