

Bauer discovery "one of the largest" in Western Flank

Thursday, 22 September 2011

BEACH Energy has identified the Bauer discovery at PEL 91 as one of the largest oil discoveries made in the Western Flank Oil Fairway, estimating mean recoverable resources from Bauer at 3.5 million barrels of oil.

The claim comes as Beach Energy put the finishing touches on an initial reserves estimate for the Bauer, Hanson and Snellings discoveries.

Along with the Arno discovery added by joint venture partner Drillsearch, Beach has estimated 2.5 million barrels of 1P (proved), 4.2MMbbl of 2P (proved and probable) and 7MMbbl of 3P (proved, probable and possible) reserves for PEL 91.

Based on the numbers, Drillsearch's total 2P reserves have jumped 30% to 11 million barrels of oil equivalent, while its total 2P liquid hydrocarbon reserves have gone up to 6.6MMbbl, a 65% jump.

The reserves jump had Drillsearch in a bullish mood, with managing director Brad Lingo telling the market that it was all part of a transformational year for the company.

"The combination of major development in the Western Flank Oil Fairway with our west gas project and the shale gas joint venture with QGC makes 2011 a truly transformational year for Drillsearch from a junior explorer to a dynamic, growing mid-tier exploration and production company," Lingo said.

To help ratify the estimates Drillsearch has hired external auditors Gaffney, Cline and Associates, to provide another estimate following the completion and production testing of the discovery wells, plus additional appraisal and development wells to be drilled on the Bauer discovery.

On the back of the numbers, the JV has agreed to speed up its development program for PEL 91, with the drilling of three new production wells planned for the Bauer discovery by the end of the December quarter.

The JV will also bring the Bauer-1, Hanson-1 and Snellings-1 discovery wells into production and install initial surface production facilities.

The drilling of the three Bauer wells will be handled by the Ensign-30 rig, but Beach has found a completion and workover rig to take care of the completion of the three discovery wells.

Each of the production wells will be completed as free flow production wells, with Beach estimating on preliminary numbers that each Bauer development well could have a possible initial production rate of 1000bbl oil per day.

Drillsearch said that figure is expected to be higher following the installation of artificial lift pumping units.

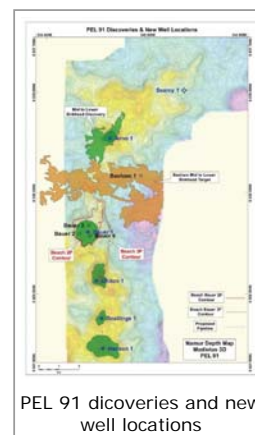
With the bump in production, the JV is investigating a number of options for transportation of the oil out of the fairway, but preliminary analysis suggests the construction of a new pipeline may be the way to go.

Drillsearch said an export pipeline to a crude oil terminal on the eastern side of Cooper Creek would be feasible, with the oil to be trucked or piped to the Moomba crude oil terminal.

Meanwhile, the JV will continue exploration in PEL 91, with the Ensign-30 rig to drill the Basham-1 well after it is done with the three Bauer wells.

Basham-1 is targeting a mean gross recoverable oil of 900,000bbl with a high case of 2MMbbl, due south of the Arno-1 discovery.

The JV is also shooting 478 square kilometres of 3D seismic, covering leads on the Namur Sandstone



PEL 91 discoveries and new well locations

formation already uncovered by 2D seismic, while covering an unidentified area in the Birkhead Formation channel, which is only identifiable using 3D seismic.

Drillsearch shares shot up by 3.26% on the Australian Securities Exchange to close at 47.5 cents at yesterday's closing bell after announcing the news, reaching a high of 49c in intraday trading.

However, Beach shareholders were less overjoyed with the news, with the company wiping off 0.41% to finish at \$1.21.

Beach is operator of PEL 91 with a 40% interest, while Drillsearch holds the remaining 60% along with a 100% stake in the Arno discovery.

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Aspermont Limited

Street Address 613-619 Wellington Street, Perth WA Australia 6000

Postal Address PO Box 78, Leederville, WA Australia 6902

Head Office Tel +61 8 6263 9100 **Head Office Fax** +61 8 6263 9148

e-mail contact@aspermont.com **website** www.aspermont.com **ABN** 66 000 375 048