

Beach Buys Into Egypt

Beach Petroleum is set to diversify its operations after it received approval from Egypt's government to acquire interests in two oil discoveries in the Gulf of Suez. First production from the fields, North Shadwan and Santos Egypt-operated South East July, is planned for late in 2009.

"The acquisition of these concessions is a result of Beach's efforts to expand and diversify its operations to give the company exposure to new oil production and to projects that have the potential to make material additions to the company's reserve base and production profile in the near future", Beach's Managing Director Reg Nelson said.

North Shadwan is operated by BP Exploration (Delta) Limited and contains three existing, undeveloped oil discoveries and several attractive exploration prospects. The JV operating company (named Petroshadwan) is currently being established.

Drilling was underway on the third discovery, with the Burtocal-2 well appraising the NS394-1A 'Burtocal' discovery made in late 2007. The discovery well penetrated a thick oil column within the Nubia formation, an extremely prolific reservoir across the Gulf of Suez.



Beach said it could begin to reap its share of oil production from the North Shadwan concession as early as 2009.

The appraisal well tested separate fault compartments in the Burtocal structure and was designed to assist in delineating potential reserves to allow for evaluation of possible development options. Under an agreement with Tri-Ocean Energy, Beach is acquiring a 20% interest in the North Shadwan Concession at a cost of US\$110 MM.

"Funds in US dollars for this acquisition were converted at an effective rate of AUD:USD of 0.9109 in July this year and have been held in escrow since then", Beach said, giving the acquisition a cost of \$100.19 MM.

Beach said the South East July concession contains several attractive oil prospects surrounded by existing oil fields, notably the July field (700 MMbbl estimated ultimate recoverable [EUR]), the Ramadan field (600 MMbbl EUR) and the Morgan field (1.5 Bbbl EUR).

Following completion of this transaction, which is via farm-in arrangement with Santos Egypt Pty Ltd, the interests in this concession will be Santos Egypt (40% and Operator), Dana Petroleum (40%) and Beach (20%).

The South July-1 well, to be operated by Dana, is scheduled for drilling in December 2008 on a prospect approximately 10 km west of the Saqqara oil field. The South July-1 well will target potential reserves of up to 100 MMbbl in stacked reservoir sands in the Miocene and Nubia formations.

Equipment, pipelines and processing capacity are well developed in the Gulf of Suez region and a skilled workforce is available, ensuring that field development can be progressed efficiently. ■