



29 January 2013

Ref: BPT/034/13

South Eastern Pipeline System
National Competition Council
GPO Box 250
Melbourne VIC 3001
Attention: Mr Ross Campbell, Director

Dear Sir

Re: Application for Coverage, South East Pipeline System

I refer to the application by Kimberly Clark Australia for coverage of the South Eastern Pipeline System (SEPS) which is located in the Penola, Snuggery, Mt Gambier and Nangwarry regions of South Australia.

Beach Energy Ltd (Beach) is a listed top-100 ASX company active in the exploration and production of oil and gas both in Australia and overseas. Beach has significant oil and gas production interests in the Cooper Basin of South Australia and Queensland and is in the forefront of shale gas exploration in Australia. Pertinent to this application, Beach both in its own right and with co-venturers holds four exploration permits, three production licences and three retention licences in the South Australian part of the Otway Basin. Beach also owns 100% of the Katnook gas plant which is a receipt point on the SEPS. This interest was acquired by Beach Energy in early 2012, following the successful takeover of Adelaide Energy Ltd. Figure 1 shows the location of these Beach permit holdings.

Beach also has exploration interests in the Otway Basin in Victoria and considers the entire basin to have substantial exploration potential because of its existing conventional gas, condensate and oil discoveries as well as attractive unconventional shale targets which are thick and areally extensive, have high TOC's (Total Organic Carbon) and are both gas and liquids prone. Proximity to growing gas markets also makes this region attractive for exploration.

Production in the Katnook area ceased as a result of ongoing reservoir depletion in October 2011. This was prior to the acquisition of these interests by Beach. Following acquisition by Beach, a review and upgrade of the operating systems at the Katnook gas plant have been undertaken to ensure the plant has all regulatory approvals and is fit for future gas processing. Beach has also successfully hydrotested a number of flowlines into the Katnook plant. The plant remains on a manned care and maintenance basis while Beach presently undertakes a detailed technical review of the production potential of existing fields and matures exploration prospects ready for drilling. In particular, Beach is preparing to drill an exploration well in PEL495 in the first quarter of 2013 and is

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planning to follow that up in 2014 with another well in PEL495 and a well in PEL494. All gas discoveries from these wells will be connected to the Katnook gas plant.

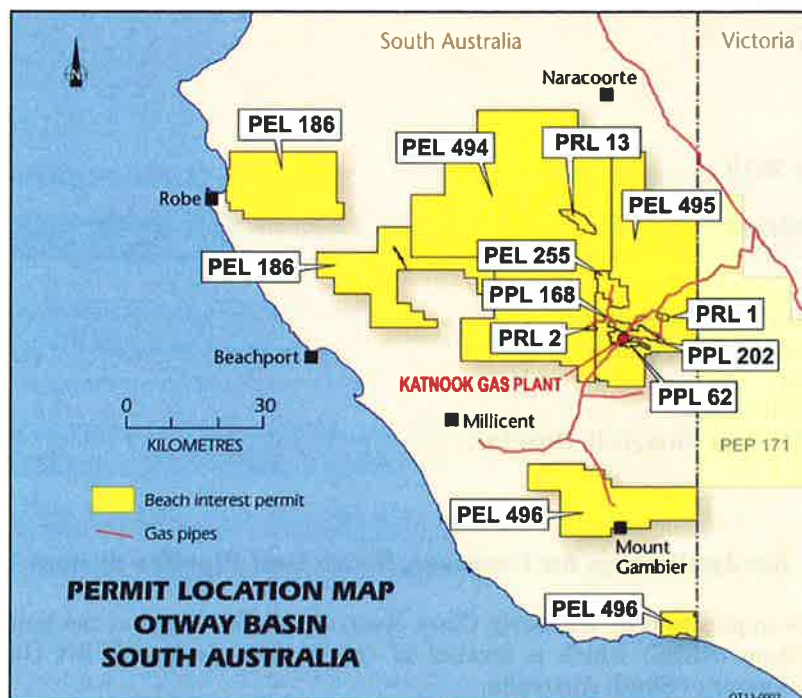


Figure 1: Location of Beach's petroleum permits, Otway Basin South Australia

The commercial viability of reworking fields such as Katnook, Redman, Jacaranda Ridge and others is dependent on both determining that the technical risk is acceptable and establishing satisfactory economic and market conditions in relation to the sale of product. In regard to future gas supply from the Katnook plant, any suggestion that transportation access may be inhibited or costs excessive (as inferred from the application by Kimberly-Clark) is obviously a concern to Beach in regard to go forward decisions on risk capital investment in this region. In our view, such investment and the discovery and development of gas in the South East will have a clear beneficial impact on the area. Noting the Commission's need to assess the Kimberly-Clark application for coverage of SEPS against nominated criteria under the Schedule to the National Gas Law, and in particular, criterion (a) of Section 15, in Beach's view, gas discovery and production in the Katnook region would result in increased competition in two markets, the upstream production market and the downstream consumption market. Motivation for such exploration is dependent on the commercial position regarding both gas transportation and sale.

Upstream Market

Presently all gas servicing the South East is sourced from the SEA Gas Pipeline and is thus imported into South Australia from fields in offshore Victoria. Reintroduction of gas processed through the Katnook plant by Beach and/or its joint venturers to the South-East areas would clearly mean producer on producer competition.

Downstream

Based on Kimberly-Clark's submission, it is understood that all gas in the South East is retailed by a single gas supplier. Revived gas production in the Otway Basin of South Australia would provide new opportunities to source and utilise gas in this region creating additional downstream competition.

With discovery of additional gas in the Katnook region, Beach considers that its gas marketing opportunities may not be limited just to the South East, rather Beach is

cognisant that access to wider markets in South Australia and Victoria may also exist through gas swaps, back-haul or even ultimately reversed forward haul in the South East South Australia (SESA) Pipeline. As such, Beach in making this submission is advocating that there needs to be certainty and transparency in regard to ready access on fair and reasonable terms in both the SEPS and SESA pipelines. Such certainty in transportation can only but assist commitment to investment in gas exploration at this time when the position of future gas supply to meet growing demand in eastern Australia is uncertain.

Yours faithfully

A handwritten signature in black ink, appearing to read "R. A. Rayner", followed by a horizontal flourish.

Rod Rayner

Group Executive – Strategic Business & External Affairs