10 October 2006
Ref: #244/05

Australian Stock Exchange Ltd
Companies Announcement Office
Electronic Lodgement System

Dear Sir,

ANNOUNCEMENT TO ASX

DRILLING NOTICE: CUTTER-1 (PEP 38259, CANTERBURY BASIN, NZ)

Beach Petroleum advises that the Cutter-1 offshore exploration well spudded on Monday, 9 October 2006 at 10.30 am (NZDT). Cutter-1 is located approximately 21 km off the east coast of the South Island of New Zealand and 200 km southwest from Christchurch (see attached figure).

This well will be drilled in a water depth of 64 metres and is expected to take about 30 days to reach a planned total depth of approx 3000 metres. The Cutter prospect, as assessed by the Operator, has a potential recoverable volume of approximately 70 to 80 million barrels of oil.

Beach's farm-in to the PEP 38259 permit provides Beach with an opportunity to participate in a high upside exploration project in a lightly explored permit in which there has already been a non-commercial gas-condensate discovery (Galleon-1) 45km to the south of Cutter. On test, the reservoir section in Galleon-1 produced 10.4 million cubic feet of gas per day with associated condensate at a rate of approximately 2,200 barrels per day.

The relevant interest holders in PEP 38259 are:

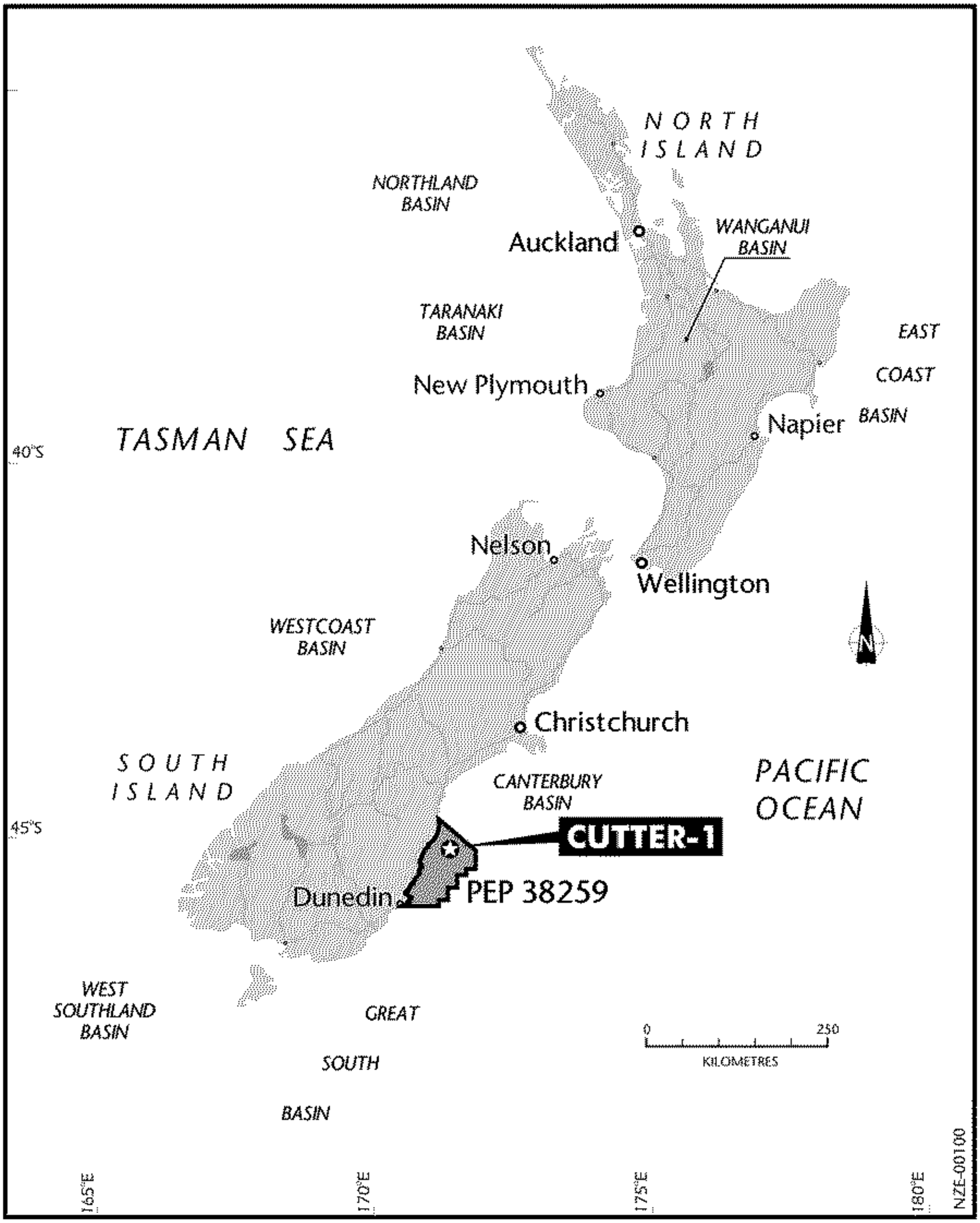
Tap (New Zealand) Pty Ltd	40%	(Operator)
AWE New Zealand Pty Ltd	25%	
Beach Petroleum Limited	20%	
Anzon New Zealand Ltd	15%	

Yours faithfully,

Hector Gordon

Hector Gordon
Chief Operating Officer

Level 1, 25 Conyngham Street, Glenside South Australia 5065
GPO Box 175 Adelaide 5001
Telephone (618) 8338 2833
Facsimile (618) 8338 2336
Beach Petroleum Ltd
ABN 20 007 617 969
www.beachpetroleum.com.au


NORTH ISLAND
NORTHLAND BASIN
Auckland
WANGANUI BASIN
TARANAKI BASIN
EAST COAST BASIN
New Plymouth
Napier
TASMAN SEA
40°S
Nelson
Wellington
WESTCOAST BASIN
N
Christchurch
SOUTH ISLAND
PACIFIC OCEAN
CANTERBURY BASIN
45°S
CUTTER-1
Dunedin
PEP 38259
WEST SOUTHLAND BASIN
GREAT SOUTH BASIN
0
250
KILOMETRES
165°E
170°E
175°E
180°E
NZE-00100