

Shale play: Imperial Oil & Gas chief executive Alex Underwood Photo: JOSH LEWIS

Empire hopeful of shale farm-out

End of fracking ban could help revive interest in McArthur basin acreage

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Empire Energy is hoping the recent announcement of plans to lift the near two-year moratorium on fracking in the Northern Territory will help spark interest among potential partners for its onshore shale acreage.

Speaking at the PESA Deal Day on Monday at APPEA, the chief executive of Imperial Oil & Gas, Alex Underwood, said his company was looking to revive interest in its acreage in the McArthur basin and Beetaloo sub-basin.

Imperial, which is a wholly-owned subsidiary of ASX-listed Empire, holds seven licences covering 59,000 square kilometres in the Central Trough of the McArthur basin.

While Underwood said the company's northern tenements were "relatively early stage" the company's southern acreage in the Beetaloo sub-basin could prove to be attractive to potential partners in the near term.

"I guess we see that southern portion as being an early commercialisation opportunity given that is where some of the major players such as Origin and Santos will be spending hundreds of millions of dollars over the next couple of years," he added.

*Origin Energy in 2017 made **the Amungee shale gas discovery** on its nearby acreage and elected to keep hold of the acreage when last year it **sold the majority of its upstream assets** to Beach Energy in a roughly A\$1 billion (US\$754.6 million) deal.*

Origin is planning several development wells on its acreage once the moratorium is officially lifted, while Santos also hopes to next year drill following its 2014 Tanumbirini-1 discovery that demonstrated that significant quantities of shale gas were present in the Velkerri shales.

"There will be substantial investment across the basin now that the fracking moratorium has been wisely lifted by the Northern Territory government... and also some of the pipeline operators are preparing to commit substantially to commercialising these shales," Underwood said.

*While the Territory government **looks to implement the 135 recommendations** made by an independent inquiry into fracking before officially removing the moratorium, Imperial has identified ways to continue its exploration work even with the ban still in place.*

“We are working on a plan where we would potentially start some exploration work this year that doesn’t need fracking regulations to be in place so we are looking to shoot some 2D [seismic] and potentially a couple of stratigraphic wells down in the Beetaloo basin portion of our acreage so that we can demonstrate to the market that as Origin and Santos drill production wells that we have the same prospectivity in our acreage,” Underwood said.

Imperial had already received interest in its acreage before the frack ban, with American Energy Partners (AEP) agreeing a farm-in deal in 2014.

That deal was terminated in 2017 following the death in the previous year of AEP founder Aubrey McClendon but Underwood said the initial interest by AEP in Imperial’s acreage had been supportive.

“It’s been really helpful for us in terms of validating the play when we talk to potential partners and we are in advanced discussions with one potential joint venture partner at the moment,” he said.

Meanwhile, private company Territory Gas is also looking to cash in on the imminent lifting of the fracking ban with the potential sale of its shale acreage.

The company has applied for 31 permits covering 24,000 square kilometres and is looking to either farm out an operated interest or make a complete exit in exchange for cash.

Wal Muir from Fluid Energy Solutions, speaking on behalf of Territory Gas, said the Northern Territory government has accepted all of the applications with Native Title agreements being pursued.
