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Empire strikes liquids in NT shale well

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Explorer Empire Energy has raised the pulses of those watching the quest for large-scale unconventional oil and gas resources in the Northern Territory, reporting that its first well has found gas with a much higher content of potentially lucrative liquids than expected.

Shares in Empire surged as much as 40 per cent in early trading after the company's Carpentaria-1 well found liquids-rich gas across a thick section of shale in the Beetaloo Basin, one of [the new gas provinces earmarked by the federal government for accelerated production](#).

Onshore shale exploration in the Northern Territory is supported by government but has raised community concerns. **Origin Energy**


The shale was also struck at a shallower depth than expected in Empire's 100 per cent-held permit, said managing director Alex Underwood, describing the result as

"very encouraging".

"The presence of high levels of associated gas liquids in the target shales is encouraging for future commercial production scenarios because high-value liquids from produced gas can significantly enhance economics," he said.

Still, information on the actual liquids content in the gas and on flow rates will not be available until next year after further results and fracking. Results from Origin Energy's latest drilling nearby in the Beetaloo Basin also aren't yet available, causing some caution in the market.

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"We are waiting to see flow rate results before becoming too excited about Beetaloo," said Credit Suisse analyst Saul Kavonic. He said he remained "sceptical" of the play given cost issues, limited infrastructure in the remote region and the time it would take to commercialise gas even if the work was successful.

Shares in Empire, which had a market cap of \$108 million before Monday's action, largely shrugged off those concerns and were up 25 per cent at 42¢ in mid-afternoon trading.

Mr Underwood said the shallower depths at which Empire struck the shale zone, named Velkerri, would reduce costs for future drilling.

Election injection

Empire is one of [the oil and gas explorers that breathed a sigh of relief](#) at the result of the NT election in August, declaring the re-election of the Gunner Labor government an endorsement of the onshore gas sector.

The explorers, which include majors Origin Energy and Santos, have [high hopes of proving up large volumes of gas](#) that could provide an economic boost for the NT as well as a source of supply for the east coast, or for export.

[Origin recorded positive initial results from its Amungee horizontal](#) well in the Beetaloo Basin in 2016, as did Santos earlier this year at its Tanumbirini-1 well.

Work in the region has been slowed, however, by the NT's now-abandoned moratorium on unconventional exploration, the subsequent development of

comprehensive regulations to allow activity to go ahead, the permitting approvals process and, more recently, by spending cuts and the COVID-19 pandemic.

Before the start of drilling, the Carpentaria well was targeting an estimated 2.4 trillion cubic feet of gas, in two shale layers, called Velkerri and Kyalla.

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However, the Kyalla shale, which was expected to comprise 0.5 per cent of the total, wasn't present at the site, while the Velkerri result is better than expected. A new resource estimate should be released in early 2021, Mr Underwood said.

The ultimate depth of the well – which is still drilling – will be reduced by about 700 metres after hitting the target zone early and will now be about 2.2 kilometres.

Angela Macdonald-Smith writes on the resources industry with a focus on energy, including gas, oil, electricity and renewables. *Connect with Angela on [Twitter](#). Email Angela at amacdonald-smith@afrc.com*

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