



## Another gas source for Australia - unconventional (shale) gas from the Cooper Basin ?

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In the address Knox forecast that, in time, the share market would come to understand the enormity of the Santos gas reserves and how they can supply both the export LNG markets at export prices and the local markets at prices that are based on current low levels, plus an inflation adjustment.

In particular, he said, over time there would be sufficient gas to replace the four Victorian brown coal power stations, which are one of Australia's biggest sources of carbon emissions.

The eastern Australian export gas would come from Gladstone, while Gunnedah gas in NSW could be used for both export and local. But then he added a third source – the Cooper basin. Until relatively recently, the Cooper basin has been seen as a dying field but Knox said that the new technology to extract gas from tight shale rocks opens up a new opportunity for the basin to supply NSW, Victoria and South Australia. ...

Knox pointed out that Exxon has paid \$US40 billion for a shale gas deposit in the US. No one is suggesting that the Cooper basin is worth anything like that, but its significance to Santos and to Australia was dramatically underestimated until today's Knox address.

Knox has warned that the natural gas market in the Asian region is becoming very competitive as the US becomes self-sufficient in gas. Nevertheless he believes that the potential in the international market has been underestimated because of the carbon reductions it offers.

[Beach Energy](#) has also been showing interest in Cooper Basin shale gas, with chief Reg Nelson [claiming](#) unconventional gas had the potential for "a very large gas resource in the order of many tens of trillions of cubic feet that could begin to approach the CSG reserves of Queensland".

Oil and Gas Journal says that [Drillsearch Energy](#) are the other company active in the unconventional gas sector in the Cooper Basin.

If Nelson is correct, this would further expand [Australian gas reserves](#), extending their lifespan even under a scenario of greatly increased consumption to around a century (and thus further undermining any arguments to restrict exports based on resource nationalism - though obviously environmental issues remain, particularly given the [experience in the US](#) with unconventional gas extraction).

Environmental concerns are also dogging the coal seam gas industry, with farmers starting to resist developments in rural Queensland. The Brisbane Times has a report - [Farmers wonder if LNG is worth its salt](#).

The Darling Downs area in Queensland is not exactly a hot-bed of anti-business radicalism. The prime agricultural region - which has also found itself in the midst of the energy boom - held the seat of the former premier Joh Bjelke-Petersen, while the office of the Nationals senator Barnaby Joyce is in nearby St George.

But in response to energy companies' plans to extract billions of dollars worth of gas from the area's underground coal, normally conservative farmers are shaping up for a fight with big business.

A clutch of energy giants are planning to use the area - part of the Surat Basin in the state's south - as a source of gas to four separate liquefied natural gas (LNG) export plants in Gladstone. All want to make final investment decisions this year, in time to catch a predicted upswing in Asian energy demand and ship their first gas from about 2015.

Mirroring a bitter stoush between farmers and miners in NSW, farmers north of the border are questioning if cashing in on the energy boom might threaten the environment they depend on.

But this is not just a debate over environmental impacts and regional development. The battle highlights an emerging tension between resources development and the rural economy, which could provide another hurdle to the LNG industry's ambitious expansion plans.

One of the most problematic byproducts from coal-seam gas extraction - which requires drilling thousands of holes for each LNG plant - is salt. "It's toxic to the plants, it's toxic to the soil, it's toxic to the animals," said Ian Hayllor, a grain, oilseed and cotton farmer

AgForce, a peak organisation representing rural producers, says the coal-seam gas projects proposed in Queensland could produce up to 50 million tonnes of salt over the projects' lifetime, suggesting it should be renamed the "salt-mining industry".

Salt cannot be burnt or sent into the ocean. It needs a commercial use, but the LNG companies have not yet found one. Santos, one of the LNG proponents, has said trucking the salt to other parts of the country is not economically viable; others are still looking for alternatives.

Mr Hayllor's other concern involves the most valuable commodity of all in these parts: water. It is produced in abundance by the drilling process. Up to 36,000 wells may be drilled in Queensland over the next three to five years.

While the "waste water" could be treated and put to use, Mr Hayllor said the intensive drilling also threatened a shallow aquifer in the Darling Downs that supplied towns, businesses and farmers.

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