

CSG Goes From Strength To Strength

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We wouldn't normally visit the Sydney and Gunnedah Basins two editions in a row; however this month's announcement of Santos' intended billion dollar takeover of Eastern Star Gas has anchored them in the spotlight.

Should it go ahead, this significant acquisition by a senior operator further highlights the CSG potential of the region, and will secure Santos as a dominant player in the NSW CSG industry.

With heavyweights AGL and Santos both clearly dedicated to the cause, a long term indigenous coal seam gas supply for NSW and even NSW-sourced CSG LNG looks increasingly likely.

The latest transaction follows the recent \$145 MM takeover of Apollo Gas by Dart Energy and suggests that NSW CSG has finally come of age.

The tenure map provided last issue is now already out of date; consequently a revised version is provided in Figure 1.

It is readily apparent that three colours dominate the prospective basins, and we can observe that, like Queensland, the NSW CSG industry has largely consolidated. Santos, AGL and Dart Energy are the key players and hold vast acreage portfolios.

Strategically, AGL and Dart are well placed for domestic supply to Sydney and an LNG port at Newcastle, while Santos is also well positioned to supply LNG activities in QLD. Also on the map are the several proposed pipelines that will be required to facilitate such ventures.

Post acquisition, Santos will hold over 1200 PJ of 2P reserves in NSW making it the market leader. This is followed by approximately 1000 PJ for AGL, and nearly 400 PJ for Metgasco's project in the Clarence Moreton Basin. Dart currently has no reserves but we can expect this situation to change rapidly as they piggyback off adjacent projects.

Smaller companies such as Planet Gas, Comet Ridge and Pangaea will no doubt try to ride the wave initiated by the bigger players, hoping that the NSW CSG market continues

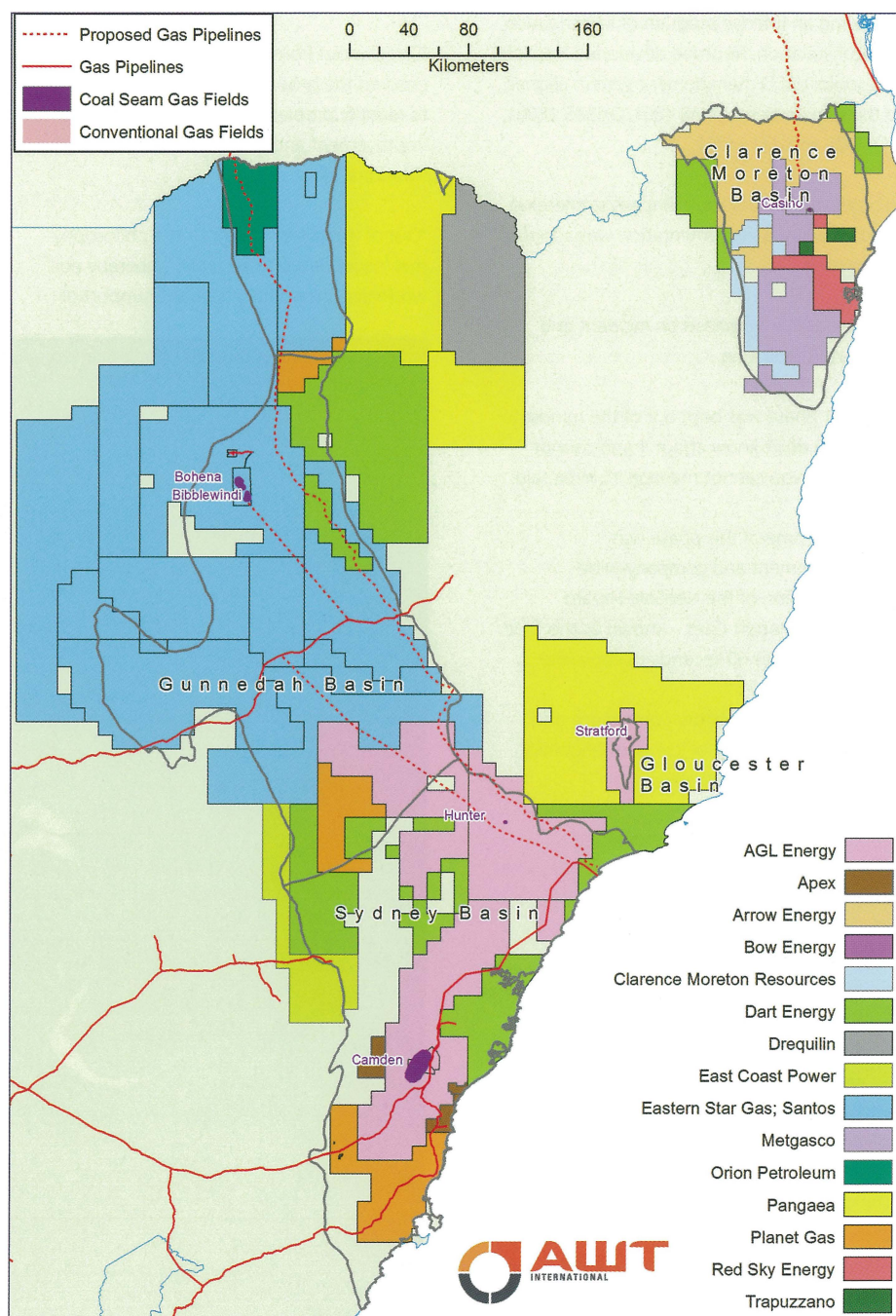


Fig. 1.

to follow the trend started in Queensland three years ago by BG's buy into Queensland Gas Company. This initial buy-in left everyone jostling for the position to become the next takeover target or receive a cash injection through the ASX. It also triggered a flood of service companies trying to get their share of

the enormous volume of work required to see these projects come to fruition.

It will be interesting to sit back and observe as the buzz of NSW CSG activity rapidly progresses to a roar and NSW emerges as a significant onshore gas producer. ■