

AGL in for the long haul with Coal Seam Gas projects

AGL Energy, Australia's leading integrated renewable energy company, is set to become a long term member of the Galilee community.

As the operator of a joint venture with Galilee Energy Ltd, over the past 18 months AGL has undertaken a coal seam gas (CSG) exploration program on its petroleum exploration tenement in the area north of Ilfracombe.

The project is at an early stage in exploration. AGL is trying to understand the extent and nature of the resource and how best to extract it, with proper regard to the context of the area, including the environment.

"We are in this project for the long haul. AGL takes its responsibilities to local communities and the environment very seriously and we are going to take the time that is needed to find out the impact of gas extraction in this area before we develop the project for commercial production," Mike Moraza, AGL's group general manager upstream gas, said.

AGL is measuring water qualities and pressures in the permit area to establish a baseline for future water management.

It is also undertaking a production test pilot which is designed to establish commercial gas flows.

Because the gas is held in place in the coal seams by water, this involves pumping off the water so AGL have built a large dam to take the water.

"Sustainable water management is a key part of our project and we will be looking at a whole range of options and consulting with local and government stakeholders before any decisions are made.

"We will pump for several months to enable us to assess how the water and gas

behave, and then production will be stopped and the wells closed off, we expect for some years, while we assess other areas," Mr Moraza said.

"Over the next few years we are likely to drill more coreholes and conduct further production tests in different parts of the permit area to understand more about the resource.

"Our presence and activity in the area will be at about the current level for several years while we continue this exploration and we are still a long way from making any decisions about the development of a commercial project and what it might look like," Mr Moraza said.

From August to November last year AGL undertook a seismic survey, using sound waves to obtain an interpretation of the geology, over 540km in the area between Ilfracombe, Aramac and Muttaburra.

AGL has also been drilling corehole wells, where samples are taken of the coal that lies more than 800 metres below the ground, to assess its gas bearing qualities.

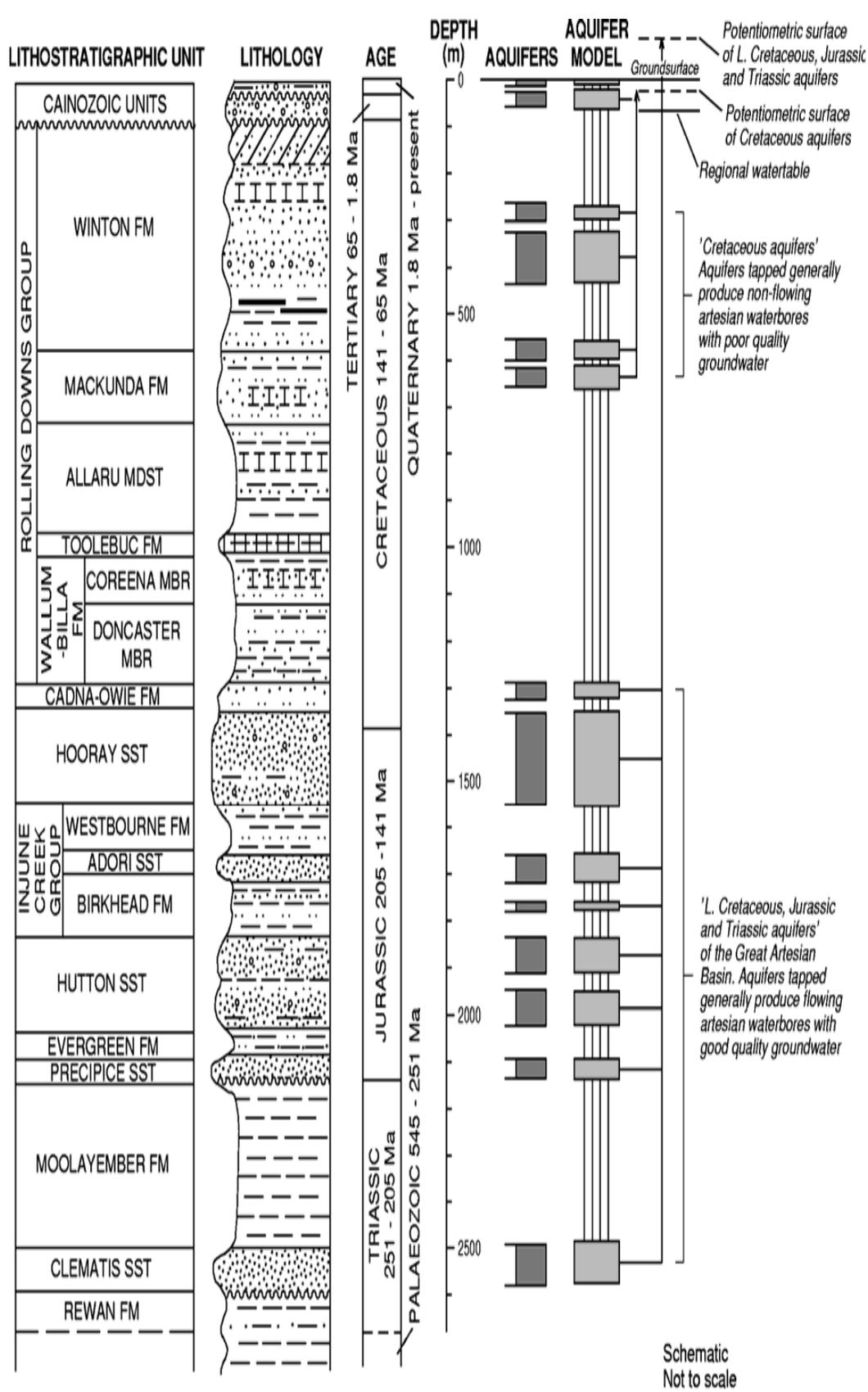
It is currently drilling the fourth of seven planned coreholes in different locations across the area. Coreholes are sealed off under the ground after the samples are taken.

Works to date have been carried out in cooperation with the community and with minimal effect on the environment.

AGL has thanked the communities of Longreach, Muttaburra, Aramac and Ilfracombe for their cooperation, support and assistance in this program.

They have relied upon over 30 local workers, accessed the land of more than 50 landowners, and bought from, sought assistance from or otherwise dealt with numerous others.

Why CSG extraction in the Galilee Basin does not include water from the Great Artesian Basin



Notes on the Map

THE map at right is one of a number used by mining companies to show landholders that their bores will not be affected by coal seam gas mining.

The map shows the sediment layers (strata) of the Eromanga Basin from the present time (top) down to the 251 million year old Rewan Formation. The Rewan formation sits above the Galilee Basin (not shown in this diagram) which contains the coal seams of interest to miners, and this in turn sits above the Drummond Basin, which is the basement layer.

The location of Great Artesian Basin aquifers are shown at the right, as is the water table.

The main Great Artesian Basin aquifers from which water is extracted by bores are at the top: the Wallumbilla, Cadna-Owie, Hooray, Adori and Hutton. They are separated from each other by shale formations (mudstones, siltstones and claystones) which are impermeable and prevent the aquifers from connecting with each other - so good quality water in the lower aquifers does not get contaminated by the poorer quality water in the upper aquifers. Similarly the Rewan and Moolayember

shales at the base of the Eromanga Basin prevent water moving into the Galilee Basin.

There are no coal seams of interest to the CSG industry in the Eromanga Basin.

The map shows the depth of the Eromanga Basin as around 2,600m, but it is typically about 800m in area where CSG miners are working north of Aramac.

exoma
ENERGY LIMITED

Exoma Energy Limited is a Brisbane based junior coal seam gas exploration company with acreage in the Galilee Basin of central western Queensland.

Its tenements cover some 26 000km², centred around Longreach.

Through its review of geological datasets, it has identified suitable sites for its initial round of drilling, which is expected to start in early 2011.

This exploration drilling program will test coal seam thickness and gas content, and will form the basis of determining future drilling opportunities.

The initial drilling program is planned for the area north of Barcaldine, which is adjacent to the AGL Glenaras pilot project.

Representatives from Exoma Energy are regular visitors to the greater Longreach area, visiting landowners and the local communities.

More information on the company can be found on our website www.exoma.net, or contact info@exoma.net.

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