

High hopes for Galilee as gas begins to flow

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Queensland's Galilee Basin, best known for Adani's plans to build a giant coal mine, is showing potential to be a new east coast gas province in what would be a welcome development amid further forecasts of domestic supply shortages.

The big geological basin in central Queensland is yet to have any commercial gas reserves proved up, but has recently shown strong signs it has both coal-seam and conventional gas deposits that could be economic.

This follows a recent exploration burst from companies such as Galilee Energy, Comet Ridge and Reg Nelson's soon to list Vintage Energy.

It is early days, but talks have started with pipeline operators such as APA and Jemena to build connectors to the east coast grid if evaluation and exploration are successful. And bigger gas players are watching the developments closely as they search for more gas, which is needed for export and domestic buyers.

Galilee Energy chief Peter Lansom, who is focused on the basin's CSG and hopes to have a maiden reserve released by the end of the year, said work by his company, Comet and Vintage was showing there could be large quantities of gas in the basin.

"As a group, we're really starting to show the Galilee Basin has substantial potential," Mr Lansom told The Australian.

"The Galilee has tremendous potential to be a material new supply source into the market."

The increased activity comes as east coast gas buyers become more concerned about gas supply in the wake of March revelations that the big Bass Strait gas fields that have underpinned supply for decades are running out faster than thought.

Venice Energy, a group of former BHP executives backed by Mitsubishi which is planning an LNG import terminal in South Australia, this week said it expected a gas shortage as early as next year.

Galilee Energy shares have risen fourfold in the past six weeks as CSG wells to the northeast of Longreach have shown strong water flows, indicating they have productive coals for gas.

"The productivity of the coal is up there with some of the better Queensland fields like (the Santos-operated) Fairview and (Origin Energy's) Spring Gully," Mr Lansom said.

The company has one of the largest contingent gas resources in eastern Australia and has signed a memorandum of understanding with Jemena for a pipeline that could transport gas from 2022 if further testing proves successful.

Mr Lansom is hoping to book a proven and probable (2P) reserve by the end of the year if Galilee can demonstrate commercial flow rates from two pilot wells at its Glenaras project.

In the northeast of the basin, Comet Ridge and Vintage, which is earning a stake in the Comet fields by funding exploration, have less mature projects but bigger designs.

While Galilee Energy believes the areas where CSG can be produced are understood and now need testing, Comet Ridge managing director Tor McCaul says the conventional gas field potential of the basin, which is bigger in land size than the prolific Cooper Basin to the southwest, is not understood.

Comet shares have risen 75 per cent since mid-February as it discovered gas, signed up Vintage as a partner and recorded strong gas flow rates from its Albany-1 well.

With 9700 square kilometres in the Galilee Basin, if this strong flow rate can be replicated at other targets, it will be good news for gas supply.

“We think the Galilee can be material for the east coast,” Mr McCaul said. “It’s a material area, which means it may well have a material gas volume we can get out.”

The basin’s conventional potential has been largely ignored after previous oil hunters found little evidence of oil or gas.

But a rethink by Comet and Vintage, on the theory oil-drilling “mud” introduced in the wells had been blocking gas flows, led to nitrogen drilling being done, with successful results.

Comet Ridge has an MOU with APA to investigate pipelines to take any gas that can be produced to market. Vintage, headed by former long-time Beach Energy boss Reg Nelson and his former chief operating officer Neil Gibbins, is planning to list in early September after targeting a \$50m raising that will give it a market value of \$70m.

Mr Lansom said the basin was drawing the interest of bigger players.

“Everyone is focused on the east cost gas market, whether it’s large caps like Santos, Origin or Shell or the mid-caps like Beach, Cooper and Senex,” Mr Lansom said.

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