

Bill Ovenden

INTRODUCTION

Madam Chair, Inquiry Panel Members, thank you for the opportunity to appear at this hearing. My name is Bill Ovenden, and I am the Exploration Vice President at Santos.

Before I introduce my colleagues, I would like to acknowledge the Larrakia People, the Traditional Owners of the land upon which we meet today.

I am joined this morning by Rohan Richardson, who was the drilling manager for the Tanumbirini well in the McArthur Basin.

Also with me is Maranoa Regional Manager, Andrew Snars, who will share some of our Queensland experience with the panel.

And finally you will hear from Santos Aboriginal Engagement Senior Adviser, Che Cockatoo-Collins.

SANTOS & THE NT

Santos is a leading Australian natural gas company, with more than 60 years of responsible gas exploration, development and production across the nation.

Over this time, we have successfully worked alongside Australian communities, Traditional Owners and landholders, to our mutual benefit.

Santos' connection to the Northern Territory goes back to our foundation in 1954 – Santos is an acronym for South Australia Northern Territory Oil Search. We have not just arrived on the scene in the NT.

Santos has drilled over 4,000 onshore wells across Australia, 38 of which have been in the Territory.

Hydraulic stimulation – or fracking - activities are not new to the energy industry, nor Santos. The practice has been around since the 1940s and was first employed by Santos in the late 1960s. We have used it consistently since the early 1980s, to enhance oil and gas recovery.

Regardless of whether we hydraulically stimulate a tight sandstone or a shale, in a vertical or a horizontal wellbore, the basic process and objectives are the same – fracturing the target rock to release hydrocarbons into the wellbore.

To date, we have hydraulically stimulated over 4,400 intervals in approximately 1,400 wells in South Australia, Queensland and the NT.

Numerous, reputable, independent reports and inquiries have found the technical process of hydraulic fracturing to be safe and sustainable when accompanied by operational capability, good management processes and a robust regulatory framework.

We appreciate that this inquiry is also about above-ground interactions and community relationships; this is where much of our conversational focus is today.

Santos has two areas of exploration operations onshore NT – in the Amadeus Basin in the south, where we are searching for conventional gas targets; and in the McArthur Basin in the north, where we have identified the presence of large volumes of gas in shales - unconventional reservoirs that require fracking to release that gas into our wellbores.

The area of focus for our exploration activities is clearly demonstrated by the distribution of our seismic line coverage in our licences in the graphics. I would like to emphasise how our footprint is mutually exclusive to national parks and reserves (in green in the graphic) and traditional sacred sites.

Crucially, all of these activities occur only following extensive stakeholder interaction and accord. We acknowledge that we must *have* a 'social licence' to operate in the specific areas where we have activities and we have invariably actively pursued this licence.

To investigate the social licence issue further, let me turn to an instance in our McArthur Basin program.

In 2014, Santos drilled the Tanumbirini well, located on the Tanumbirini pastoral lease and on native title land.

Prior to drilling the well, and substantially in advance of any proposed activities, Santos engaged with both Tanumbirini Station and the Northern Land Council, which represents the Traditional Owners of the area, in a respectful and constructive manner.

PASTORALISTS

An access agreement was negotiated with Tanumbirini Station, covering how we communicate, the timing of our activities, the location of infrastructure, compensation and conditions specific to the property. We upgraded farming infrastructure whilst on the property.

To date, Santos has negotiated and executed 29 Conduct and Compensation Agreements with pastoralists across our NT exploration permits, without the need for third party intervention.

But if there was ever an issue that couldn't be resolved, the NT has an arbitration process that takes about three months – 90 days can add significant cost and delay to our activities but it avoids legal recourse.

You will hear from Andrew shortly about our experience in Queensland but in that State we have 1,450 land access agreements for long-term gas infrastructure.

Our relationship with Tanumbirini Station, as in Queensland, has been built on respect, honesty and doing what we say we're going to do.

We know there is a push in some States for the landholder to have a 'right of veto.' We oppose this and question the motive and need: in the NT, government approvals required for the start of any oil and gas-related activity will not be granted in the absence of an access agreement.

Constitutionally, the rights to the resources in the ground belong to all Territorians; statutory royalty streams flowing from successful resource projects go to the Territory's people through government funding of schools, infrastructure, roads, hospitals and the like.

TRADITIONAL OWNERS

The Traditional Owners are also key stakeholders. Our relations with Traditional Owners are also founded on respect and a belief in the premise of self-determination.

He will talk to you about our relationship with TOs in the McArthur Basin and the importance of the 'informed consent' that sits behind all our agreements.

CONCLUSION

In summary from me, while it is early days and we are far from commercial success, we believe the unconventional resources of the McArthur Basin offer an extraordinary opportunity for the Territory. The basin has sufficient

potential to provide gas for markets to the north and satiate east coast gas demand for many decades – for the benefit of all Territorians and many other Australian energy users. But the shale reservoirs must be hydraulically stimulated, or fraced, for this to happen.

Economically, success is about energy security, long term employment, supply-line business opportunity, royalties for infrastructure, hospitals & schools and local community investment. In the US, advances in the fracing of unconventional reservoirs have created energy independence, stimulated economic resurgence, a new wave of manufacturing and opportunity; accompanied by a significant reduction in CO2 emissions – emissions in the US in the first half of last year [2016] were at their lowest level since 1991, having fallen about 13% from their peak in 2007, with the replacement of coal by gas in electricity-generation the biggest factor.

We understand that fracing activity should not be at the expense of the environment – and Rohan will now touch on why well integrity lies at the core of a sustainable unconventional industry, where potable water, isolated behind pipe and cement, for example, is not exposed to produced hydrocarbons when there is wellbore integrity: essentially the result of appropriate design, reputable operatorship and robust regulation.

Rohan....

Rohan Richardson

Thanks Bill.

We didn't want to spend too much time today on the technical aspects of drilling and fracture stimulation. Many of the Panel will have seen what we do, and how we do it when recently visiting the Cooper Basin. We will include further details on these topics in our written submission.

However, we felt it was necessary to get the importance of well integrity on the record today: when effectively regulated and executed, a properly constructed well is the key to addressing most of the subsurface environmental concerns raised by the community.

Well integrity is about creating and maintaining well barriers through the life of the well.

Wells are designed to completely isolate shallower formations, particularly aquifers, from the deeper producing reservoir.

The well barrier comprises of steel casing cemented in place. Both cement and casing are specifically designed for each well.

The cement is lab-tested prior to pumping and reviewed against the engineering design.

Prior to fracture stimulation activities, the well barrier is pressure tested to verify integrity, and cement bond imaging is conducted to confirm cement placement.

My second slide shows the formations we encountered below the Tanumbirini Station when drilling Tanumbirini-1 in 2014.

It's important to understand depth and scale.

The picture here is to scale, and compares a conceptual horizontal shale gas well, which is the long line on the right, with a water bore on the left and not easy to see.

There is 3000 metres between the surface aquifer and Velkerri shale zone, where we want to produce from. The impermeable rock in-between forms a natural barrier.

The fact that the hydrocarbons are still in place further demonstrates the impermeability of the natural barrier. And it's for this reason we need to

hydraulically stimulate the shale to allow hydrocarbons to flow to the wellbore and be produced.

The point I want to emphasise this morning is that well integrity is a key safeguard to sustainable production of conventional and unconventional gas. In this regard, Santos has demonstrated long-term capability.

Andrew...

Andrew Snars

Economic and community opportunity

Thanks Rohan.

My name is Andrew Snars and I am Santos' regional manager for the Maranoa region.

Based in Roma, I am responsible for the company's landholder and community liaison teams that work across our natural gas activities in the Surat and Bowen basins.

My background is in farming. I was born in Charleville and until recently was involved in the family grazing business near Dulacca, about one hour's drive east of Roma in the middle of the natural gas fields.

I worked in agriculture and irrigation before I joined Santos in 2009, and as such, I have a strong understanding of how the agriculture and natural gas sectors have interacted in regional Queensland.

It is well known that significant investment has occurred over the past few years due to unconventional natural gas developments in Queensland.

The Santos-led GLNG project alone has invested \$15.4 billion in materials and services from across Australia.

Of that, \$8 billion has been spent in Queensland alone, with more than \$1 billion spent in regional areas.

More than 10,000 people have worked on the construction and operation of GLNG, and many more suppliers and businesses have benefited.

Unemployment in my home town of Roma has been low for many years, and remains so. Recent government figures show the town's unemployment rate to be 1.9% compared to the Queensland average of 6.1%.

Since starting work in the region, GLNG has paid \$63 million in compensation to landholders hosting natural gas activities on what are mostly freehold properties.

This compensation has not only safeguarded many farming businesses during years of severe drought, it has enabled them to actively improve and grow in that time.

In other words, farms hosting gas activities are in a much stronger economic position today than they would otherwise have been.

In the community, we have invested \$65 million in regional projects and some examples are listed in the slide pack.

We have also invested over \$140 million in road upgrades and maintenance to date, and this will continue.

Landholder and community relationships

At Santos we believe that any good relationship is built on respect and openness, and all of our dealings with landholders are based on this premise.

Our landholder liaison team lives regionally and comprises locals who know the area and the people who live there.

They understand the landholder's perspective, what it means to run a farming business, and the impacts natural gas activities can have.

We speak to landholders as early as possible. For example, we are out there now talking about developments scheduled to begin in 18 months' time.

We take the time to understand the unique characteristics of their property and the surrounding area, which may feature homesteads, waterways and cultural heritage sites.

We then adapt our development plans in agreement with the landholder to minimise the impact of our infrastructure as much as we can.

A good example of our commitment to open and thorough communication is our Ready Reckoner guide for landholders, which illustrates and explains every possible activity that could take place through exploration, development, production and rehabilitation. I have copies here to leave with the committee.

The results of our approach speak for themselves.

We have secured approximately 1450 land access agreements with about 410 landholders to place long-term natural gas infrastructure on their properties.

That figure is over 2000 when we include agreements for short-term activities such as exploration and securing pipeline easements.

When looking more broadly at community relationships, the principles of open and regular communication are just as important.

A successful project requires commitment and input from all parties – natural gas companies, governments, regulators, agriculture groups, community leaders, business leaders and specialist bodies such as the GasFields Commission Queensland.

Before a project begins, it is also important to recognise the two distinct phases of activity: short-term construction and long-term operation... and prepare for them accordingly.

While there are members of the community who still have questions and concerns about our industry, I can say with confidence – based on my personal experience as a grazier with gas companies on my property – that the agricultural and natural gas sectors can work together for mutual benefit.

I am sure that Queensland will continue to provide a positive example to other communities considering hosting natural gas activities, including those in the Northern Territory.

Thank you.

Che Cockatoo-Collins

Firstly - I pay my respects to the **Larrakia Traditional Owners** - elders - and lore people.

My name is **Che Cockatoo-Collins** and I am Santos' Advisor for Aboriginal engagement. Like Andrew Snars with our Pastorlaists - I am the person working on the ground with Traditional Owners and the representative Land Councils. I am in my tenth year with the company.

Santos' Aboriginal Engagement Policy outlines our organisation's commitment to working with Aboriginal peoples and communities in a way that respects Aboriginal cultures.

This policy has been contributed to - and informed by - our organisation's **Aboriginal employees** and it is one that **we endorse** and are **very proud** of.

We are proud of it because **its intent is genuine** - and importantly - it carries the **full support** and authority of **our organisation's executive**.

Santos' commitment to positive and proactive engagement with our host communities **allows us to deliver mutual benefits** to the communities in which we operate - as well as to our company.

Our policy focuses on the elements of:

- Native Title
- Cultural Heritage
- Employment and Training
- Enterprise Development
- Community Capacity; and
- Corporate Social Responsibility

Our approach is to **engage early**, and where appropriate, use interpreters so that communication can also take place in language to ensure our Aboriginal stakeholders are fully informed and similarly we also properly understand their interests and concerns.

We work closely with Traditional Owners to identify and protect Sacred Sites and other elements that are of significance to Aboriginal people. Our approach is simple - **Identification, Protection, Avoidance**

This process ensures that Traditional Owners are engaged early and **are indeed part of the planning** of the project. This way **we know** - very early - the areas that need to be maintained as **exclusion zones** or **sensitive areas**.

In the McArthur Basin, all our activities **carry Sacred Site Certification** from the Aboriginal Areas Protection Authority. AAPA certification **is the final approval** we seek after carrying out extensive scouting and cultural heritage clearance work with Traditional Owners - who - during these activities - **are supported by their statutory representative body** - the Northern Land Council.

Santos has negotiated almost **50 Agreements** relating to cultural heritage, native title and access to land, **based on early and fully informed consent**. *We will not - and have not* - conducted activities until Traditional Owners have agreed to those activities and sacred site certification is in place.

The photos on the slide here are of a **‘Welcome to Country’** given by the Traditional Owners on a visit to our activities in the McArthur.

Traditional Owners take very seriously their responsibility of keeping people safe who are visiting on their land. Welcome to Country has always been performed between different groups so it is **not merely a ‘nicety’** for non-indigenous people - rather - it is a cultural practice of importance.

The smoking ceremony here is about cleansing the new visitors of spirits that may have travelled with them. The ceremony is also intended to keep these visitors safe.

When I explain this practice to our team – I describe it as being akin to a *Health and Safety induction* - a cultural blessing and ritual that shows that these visitors are *Welcome and must return safely to their families*.

Both Santos and Origin received Welcome Country ceremonies which - above all else - **should demonstrate to outside parties** that there **ARE** Traditional Owners - where the known resources are - who have been working in partnership with companies for many years and who want to continue to work in partnership with industry. **I make a plea that their rights are respected as much as the rights of those who make an alternate decision.**

Indeed it is what our past **Elders** - only a small few who still remain with us today - **fought long and hard** for. The legislative right to say **NO** - or in this case - to say **YES**.