

COAL SEAM GAS DEVELOPMENT ON YOUR LAND IS SERIOUS BUSINESS

BSA wishes to convey to all members and landholders the critical importance of seeking independent legal advice on all aspects of CSG development on your land as any Conduct and Compensation Agreement you enter into with a CSG company will:

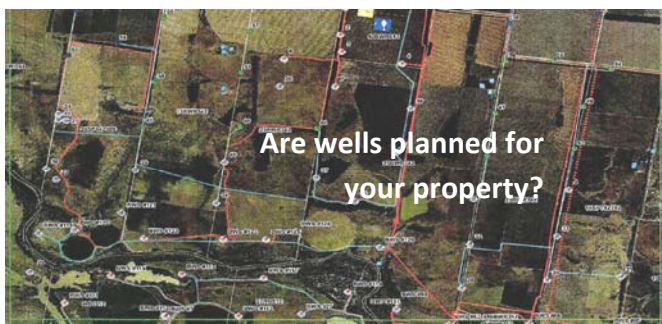
- Lie with the land – that is, it will bind you, your children/grandchildren and future purchasers of your land;
- Impact the value of your land – the first thing Buyers in the future will want is a copy of your Conduct and Compensation Agreement to see what has been negotiated; and
- Will alter and limit future uses of your land

The laws applying to CSG development are very complex to traverse and negotiating Conduct and Compensation Agreements is simply **NOT** something you can do on your own.

DO NOT SIGN ANYTHING without advice from an independent legal professional.

Government offers landholders a Legal Aid service that provides, free, non-means tested legal advice in relation to interactions with resource companies. The Legal Aid service can be contacted by phoning 1300 65 1188.

Further, under the relevant legislation the energy companies must pay for “necessary and reasonable” legal advice in negotiating a Conduct and Compensation Agreement. Private legal advice may not be as expensive as you would expect.



CSG DEVELOPMENT IN QLD: THE POLITICAL & POLICY LANDSCAPE

- The Queensland Government benefits economically from CSG development and gives priority to facilitating and fast-tracking development of this industry.
- The Qld Government has given tenure to various companies for the extraction of petroleum and gas from Gladstone to Goondiwindi in the Surat and Bowen Basins, subject to those companies meeting various conditions.
- In October 2010 the Federal Government gave conditional environmental approvals (under Federal Environmental Law) for Gladstone Liquefied Natural Gas (GLNG) - a \$16 billion joint venture between Santos, Malaysia's Petronas and France's Total - and BG Group's Queensland Curtis LNG to proceed - giving security to CSG industry and the drilling of wells in the Surat and Bowen Basins.
- The gas for these enormous projects will have to be sourced (from Surat, Bowen and Galilee Basins) and if you “do the math” it means the CSG companies may well be drilling on your land at some stage in the future.
- Associated infrastructure with gas field development carries enormous implications for landowners with a cobweb of gathering pipelines below ground and a host of infrastructure above ground - compressor stations, roads, pipelines, major pipelines, holding ponds, and large storage ponds.
- CSG development is already happening in these Basins and will be rapidly expanding in order for companies to meet export targets by 2014.

→ If you own land between Goondiwindi and Gladstone, CSG development is coming to a place near you and with all likelihood your doorstep in the next 20-30 years

→ It is critical that in order to make the best/right decisions for your business you become informed and seek professional advice

THE MAJOR CSG COMPANIES IN QLD

The major CSG companies operating in Queensland are Arrow, Origin, QGC and Santos. There are a number of smaller firms.

Ownership of tenure can and does change. For example, company takeovers, or one company purchasing tenure from another company.

As landholder, you may find that you 1) have more than one company with Petroleum & Gas tenure over your property and or 2) have both Mineral Resources and Petroleum & Gas tenure over your property (i.e. coal and gas).

MINIMISING IMPACT OF CSG EXTRACTION

The business of extracting CSG differs among companies. To get an idea of the different practises you may look at the particular company's Environmental Impact Statements, Environmental Management Plans and Environmental Authorities. These documents generally provide an idea of the company's development plans. Be prepared. The first time you look at these documents they may seem daunting. Seek help if you are having difficulty. Remember it will get easier if you persevere. You must understand what is happening if you are to make good decisions.

→ It important to get an understanding of the types of impact minimisation techniques used across the different companies in Australia and overseas.

You may be able to negotiate for the company to use certain techniques to reduce impact on your land and business.

TENURE RIGHTS - LANDHOLDER & CSG COMPANY

As a landholder, the tenure of ownership of your land gives you rights to the surface of your land.

The tenure of the CSG company gives that company rights to access the resource under your land (which belongs to the Crown/Government). The government gives the companies the right to buy and extract this resource.

Effectively the surface of your land (for which you have rights) is the gateway to the CSG company accessing the gas resource they are entitled to (for which they have rights).

Additionally, the surface of your land may be the planned pathway for major pipelines not necessarily associated with gas field development on your land.

As a landholder you should **BE AWARE THAT YOU HAVE RIGHTS**. The CSG company must consult with you and it has an obligation to minimise impact on your land and business. They cannot obstruct or interfere with your business and equally you also have an obligation to avoid obstructing their activities

→ The critical challenge is to effectively achieve co-existence with respect to these factors. Remember that any relationship entered into between you and a CSG company is likely to extend beyond 30-50 years or, as has occurred in Canada, for "perpetuity"

HOW DOES THE PROCESS WORK - IN A NUTSHELL?

On larger projects the companies will either voluntarily, or by compulsion, do an Environmental Impact Statement (EIS). This is a document which assesses the likely impacts of a project and identifies how the impacts can be minimised. This assists the regulator to determine how to assess the project. The CSG company will firstly develop a Terms of Reference (TOR) for the EIS – which outlines what environmental impacts they intend to consider in the EIS. The TOR is made publicly available for comment and you can have input.

The CSG company will then undertake an environment impact study and publish a draft Environmental Impact Statement (EIS) for public comment. CSG companies are required to put a notice in the newspaper to invite submissions from any person and/or organisation that wishes to make comment in respect of the draft. Again you can have input.

The Government reviews the EIS and submissions and then provides Environmental Authority for the project to proceed (the Environmental Authority may include conditions based on the assessment of the EIS and submissions)

Smaller projects might not go through this process and just go straight to obtaining an Environmental Authority. Again, in many cases you can have input into this process.

Be aware that (regardless of how unfair it may seem) CSG companies are not required to write to you to tell you that they are doing an EIS or applying for an EA that will affect your land. It is therefore a good idea to make it a regular practice to read Public Notices in local and metropolitan newspapers and keep watch.

When access is eventually required on your land, the CSG company will contact you to negotiate a "Conduct and Compensation Agreement."

Potential Impacts from CSG development to consider:

- The value of your property may be altered
- The equity you hold in your business may be altered
- The ability or capacity for you to generate income from your land and resources may be altered
- Your ability to meet market or other compliance schemes may be compromised (Examples: Biosecurity, WPHS, Organic Certification, Quality Assurance Schemes)
- Your ability to adopt new technologies/farming practises in the future may be altered
- Your ability to carry out normal activities on your land may be compromised
- You will spend a significant amount of time (otherwise used for your business) to understand CSG development and negotiate with the CSG company
- You may become overwhelmed by the enormity of the decisions before you and the timeframes under which you are expected to respond
- You may have concerns about the long-term environmental impact on your land and water resources and their implications for you and your family/staff/ community's health, stock health and food safety
- You will have to consider that any payments for compensation for impact are structured correctly to avoid excessive taxation
- You may experience a loss of privacy with CSG employees and contractors accessing your land.
- The exclusive rights you previously enjoyed to your land may be forever changed.
- There will be flow on affects due to the impact on your land and business to the community, business and social environments in which you operate.

This is not an exhaustive list...but is presented to demonstrate the complexities of the considerations you may need to take and to highlight the need to seek expert advice on many matters.

OTHER ISSUES TO CONSIDER

Regulatory framework

BSA does not feel the regulatory framework and legislation governing CSG development is adequate and has been actively lobbying the state government for changes. Whilst there have been some positive improvements in the regulations of the industry, BSA's prime concern is that the attitude and policy facilitation of this industry occurs on a "suck-it-and-see" approach rather than trying to prevent damage from occurring in the first place and using science to inform development.

In Fill Practises

CSG companies in the past have used the practise of negotiating a grid pattern with the landholder then later coming back to "in-fill" CSG wells in between.

→ As a landholder you need to understand the company's policy on in-fill practises so that you can fully appraise the full impacts of the CSG development on your land.

Well Stimulation

CSG Well Stimulation methods (such as hydraulic fraccing) create expanded pathways for the movement of water and gas underground. These processes bring with the added risks to groundwater supply and groundwater quality. Equally important is the possibility that well stimulation operations may mobilise dangerous, naturally occurring compounds from the coal seam into water supplies.

BSA suggests that is important that an independent assessment of the risk profile of petroleum well is made to gauge its appropriateness for well stimulation. Such assessments should include, but not be limited to:

- The nature and depths of underlying strata formations
- The porosity of the coal seams
- The nature and depth of confining layers separating the coal seam from water bearing horizons
- The separation densities to existing water bores for which bore users have an entitlement to access groundwater
- The volume of water entitled for take by nearby bore owners
- The target zone for well stimulation
- Understanding if any prior interconnectivity exists which may be exacerbated

New legislation requires the CSG companies to provide notice to the landholder of their intention to fracc.

Capacity to “Make Good” Water

BSA has concerns that legislation giving CSG Companies the right to take unlimited amounts of water from the Great Artesian Basin Water resource in the process of extracting gas, will impact on groundwater quality and quantity over time. Expectations are that the industry could remove as much as 350,000 ML of water per year from the Walloon Coal Measures. It is anticipated that such removal of water may cause changes in water levels, quality and pressure in surrounding aquifers on which rural and regional communities rely.

BSA also has serious concerns that the Make-Good clause on groundwater in legislation is not adequate to provide sensible protection to landholders against the loss of groundwater supplies from CSG extraction. Critically also the law currently does not address the situation where water quality is interfered with (other than where quality problems arise because of a fall in the water table below the trigger thresholds). This is a glaring hole in the law at the moment and causes us enormous concern for the future of our underground water and the adequacy of laws that are said to protect Landholder interests.

Considerable emphasis is currently placed on “make good” agreements that you will have to negotiate with the CSG company if your bores or rights to underground water are likely to be affected.

Just like the Conduct and Compensation Agreements, these “make good” agreements will bind future owners and be equally as important as the Conduct and Compensation Agreements.

CSG companies are exposed to varying risks to impacting groundwater supplies based on the underlying strata formation, confining layers, nature of the aquifer, bore water well densities and licensed volumetric take. Often groundwater sourced from water bores is the only water source for domestic use in homes, for drinking water for livestock, feedlots, agricultural use, industrial use and town water supplies. This water is the life blood of many rural and regional areas.

From a search of the Queensland Great Artesian Basin database (conducted June 2010), BSA found that no major CSG company (Arrow, Origin, QGC, Santos) had any licensed water entitlement to groundwater in the Great Artesian Basin. Therefore these companies do not hold any spare GAB

licences to supply water to affected bore water users in the event that CSG activities impair the capacity of water bores. BSA strongly advocates that the use of CSG associated water must be confined to maintaining a local and regional water balance so that the CSG industry may have the capacity to make-good water into the future.



LAND ACCESS CODE

The Government in late 2010 introduced a Land access code for resource acts that provides guidelines for communication between the holders of authorities and owners and occupiers of private land; and imposes on the authorities mandatory conditions concerning the conduct of authorised activities on private land.

While BSA has concerns about this code, it is important that landholders familiarise themselves with this code.

You may also wish to refer to the government booklet “Tips for landholders negotiating agreements with resource companies”. The Government’s landholder information can be found at:

http://www.dme.qld.gov.au/mines/land_owner_occupier_information.cfm

WHAT CAN YOU DO AS A LANDHOLDER TO HELP YOURSELF?

- Check to see which CSG company/s has tenure over your property. See Government website: http://www.dme.qld.gov.au/mines/tenure_maps.cfm
- Educate yourself about the CSG company which has tenure over your land.
- Calculate the “Worst- Case” CSG Well Impact Scenario for your land given the CSG Company’s conceptual gasfield development plans. To help you, BSA is developing a CSG Well Calculator which will be available soon at www.basinsustainabilityalliance.org
- Understand that YOU HAVE RIGHTS over your land - It simply may not be possible for the CSG company to roll out its conceptual gas field development plans across your property if it intends to avoid unreasonably interfering with your business.
- Engage your solicitor in all your communications and negotiations with the CSG Company from the outset.
- Take stock of your business and consider your future development plans for your land and the multi-functionality value your land offers without CSG development.
- If you have a water licence entitling you to take groundwater, you will need to be proactive in protecting your long-term water supply. Check your licence details particularly to see from which aquifer you are licensed to take water from, check the proximity of your water supply aquifer to the Walloon Coal Measures and take this information along with your water bore logs to your solicitor.
- Gather baseline information with independent advice and using recognised baseline guidelines: water, air, noise, visual, etc.
- Seek independent professional advice on Land Valuations, Agronomy, Hydrology and Engineering to help you develop your negotiating position with the CSG Company. These professionals can advise on recent changes in land valuation and the impact of CSG operations on land values, impacts of CSG operations on the productivity of your farming or grazing operation, vulnerability of your current water bores and likely impact of CSG infrastructure on your operations.
- Understand that CSG development on your land is business – and serious business at that – get everything in writing and always respond in writing so that you establish a paper trail of correspondence between yourself and the company representative/s.
- Talk to your neighbours and nearby landholders, as the CSG footprint each of you consider or potentially sign off on could affect each of you.
- You cannot rely on the CSG Company to fully disclose all their plans for your land to you and this will make it difficult for you to consider the full impact on your land and business. You need to do your own research and study fully any environmental management plans and/or environmental authorities that impact you.
- If possible, BSA recommends meeting your CSG Landholder Liaison Officer on neutral territory such as your solicitor’s office rather than meeting across the kitchen table in your family home.
- Under the new land access legislation, resources companies are now required to pay for a landholders’ reasonable legal and accounting advice when negotiating a land access, compensation or deferral agreement.

To find out more go to
www.basinsustainabilityalliance.org
BSA Chair Ian Hayllor 0428 795548 or
BSA Vice-Chair Andrew Rushford 0428 581527



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Disclaimer: This document is a work-in-progress Fact Sheet aimed to assist BSA members and landholders generally to understand the critical importance of the decisions they face when considering CSG development over their land. It is general in nature and not intended as legal or other advice.