



Government of **Western Australia**
Department of **Mines, Industry Regulation and Safety**

Our Ref: D113335
File: A0303/201901
Contact: [REDACTED]



MINISTER FOR MINES AND PETROLEUM

BRIEFING NOTE - RESPONSE TO TALKBACK 4 FEBRUARY 2019 ON NEW STANDARD ENERGY - FRACKING EXPLORATION WELL CLEAN-UP COSTS

PURPOSE:

To provide a briefing on the status of New Standard Energy's well sites and rehabilitation liability.

BACKGROUND:

New Standard Energy (New Standard) formed in 1995 and has focused its exploration efforts onshore in the Canning Basin in central and northern Western Australia. New Standard has explored for natural gas from unconventional sources (shale and tight rocks), however, it has not undertaken any hydraulic fracture stimulation activities ('fracking'). New Standard has drilled four exploration wells in the Canning Basin as outlined in Appendix 1.

In addition to the above, New Standard constructed two well pads and associated infrastructure (ie airstrips and retention ponds) in the Canning Basin; and one well pad and associated infrastructure in the Carnarvon Basin (east of Carnarvon) in preparation for exploratory drilling, however, did not actually drill wells at these sites. These sites are also outlined in Appendix 1.

CURRENT SITUATION:

New Standard has not undertaken the required plug and abandonment work (P&A) on the Nicolay-1 well; and has not completed rehabilitation of any of its seven well sites or associated infrastructure. The Department of Mines, Industry Regulation and Safety (DMIRS) reviewed the risks and potential liability associated with the seven sites and progressed five directions for the higher-risk sites (see contentious issues). New Standard was directed by the Department in late August and early September 2018, to P&A the Nicolay-1 well; and rehabilitate five of its sites as outlined in Appendix 1.

The Department continues to monitor the two remaining sites and will take further action on these sites where appropriate.

The directions were issued because New Standard had not responded to the Department's previous requests for an update on its rehabilitation commitments; and the exploration permits had expired (with the exception of EP 481 which is still live). The directions provide New Standard with the legal right to access its exploration sites to complete the rehabilitation.

New Standard will need to secure relevant approvals from the Department prior to undertaking P&A and rehabilitation works.

CONTENTIOUS ISSUES:

The Department sees the Nicolay-1 well site as the top priority for New Standard to decommission and rehabilitate. Nicolay-1 is the only site with an active petroleum well. This presents a higher potential risk to human safety and the environment; and will be the most expensive to decommission and rehabilitate. DMIRS estimates the cost to P&A the well and rehabilitate the site to be \$1.5 million. The site is located in a remote area of the Great Sandy Desert; and the Department's cost estimate does not account for re-establishing the access road to site which will most likely require regrading.

The other sites that require rehabilitation are also all in remote locations. The required rehabilitation works include removal of waste, backfilling retention ponds, re-contouring landforms, ripping up well pads; and respreading topsoil, hence heavy machinery would need to be mobilised to these remote locations.

On 26 October 2018 New Standard confirmed in its [ASX Quarterly Activities Report](#) (the Report) that it had received directions from the Department and subject to funding, the company plans to meet its rehabilitation obligations as soon as practical. The Report also states New Standard ended the quarter with only \$223 000 in cash (approximately) and \$172 000 (approximately) worth of shares in ASX listed Sundance Energy Australia Ltd. Given the financial status of New Standard, there appears to be a high risk that New Standard will not have the financial capacity to complete the required works.

In the event that New Standard fails to comply with the directions, DMIRS will explore prosecution under the *Petroleum and Geothermal Energy Resources Act 1967* (the Act).

The Act also provides for the Minister to complete the work required by a direction. In the instance of the Condon-1 site (EP 481), any costs incurred by the Minister would be a debt due by the person to whom the direction was given; and is potentially recoverable in court. For the other sites, DMIRS believes the Act does not specify the ability to recover costs because the permits have expired, however, DMIRS would explore all options to not incur financial liability.

The Condon-1 site is located on an ex-pastoral lease that has been acquired by the Department of Biodiversity Conservation and Attractions (DBCA); and is adjacent to the Kennedy Range National Park. DBCA has expressed concerns that the site has not been rehabilitated as in future it may be incorporated into the Kennedy Range National Park.

On 18 January 2019 the Department received a request for information from a journalist at the ABC on New Standard's Quarterly Activities Report. The Department responded to the ABC on 21 January 2019. On 31 January 2019, the ABC published an article online titled *Fracking exploration rehabilitation costs likely to be borne by taxpayers after company collapse*.

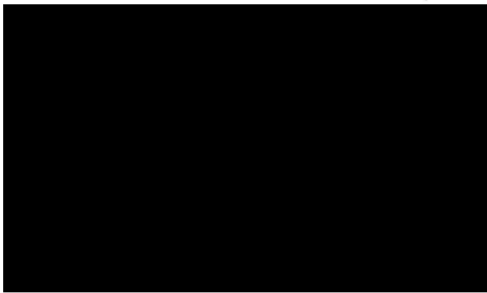
The story was also covered on the ABC radio North-West Rural Report on 4 February 2019.

Both the online article and radio story do not go into specifics on New Standard's exploration sites and the focus is placed on State mining rehabilitation liability; and in particular a 'clean-up bill' of \$35-\$40 million for the Ellendale diamond mine that Western Australian tax payers would have to pay.

DMIRS has been managing the Ellendale site through the Abandoned Mines Program from funding through the Mining Rehabilitation Fund (MRF). The introduction of the MRF in 2014 has ensured that the community of Western Australia will not pay for rehabilitation at abandoned sites. By way of background, the funds expended for onsite works to make the Ellendale site safe, stable and non-polluting is approximately \$240 000, over three financial years excluding project/salary costs.

RECOMMENDATION:

You note this information.



Noted



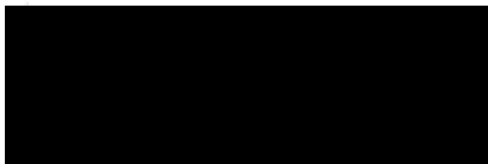
**HON BILL JOHNSTON MLA
MINISTER FOR MINES AND PETROLEUM**

12 February 2019
Att

Date: 26/2/19

Thank you.

I appreciate the information.



26/2/19