



Northern Territory Hydraulic Fracturing Inquiry

Submission By:

Bill Sullivan

The Honorable Justice Rachel Pepper
Chair
NT Hydraulic Fracturing Taskforce

Please accept the following submission on behalf of myself, my family and our business interests.

If there are to be more public hearing in the coming months I would appreciate the opportunity to appear before the Committee in person.

My son, Mark will also be providing a submission on behalf of his companies, MS Contracting and Flying Fox Station. However, because of the interaction between us there will be some similarities and crossover in our individual submissions.

Please note that Rohan Sullivan of Birdum Creek Station who has already appeared before the Committee is not related to my family although a personal friend.

1. Introduction:

The Sullivan family has a long history in the Northern Territory, I came here 51 years ago with a swag and a saddle from Queensland where I was in the cattle industry since I was born.

During those 51 years I have worked as a horse breaker, Head Stockman, Station Manager and currently the owner of 2 small intensive cattle grazing properties where stocking numbers average 1 beast per acre for 9 months of the year. One property is in the Darwin region and one in the Katherine region. I have also owned a number of businesses throughout the NT.

We have a long family history in the NT, my namesake Uncle has a park named after him in Darwin in recognition of services to the NT. My son was born in the old Darwin hospital.

Both Mark and myself have a lifetime of experience in the cattle industry and more recently since 2010 experience in the mining, oil and gas industries.

Mark is the owner/operator of Flying Fox Station, a 900 sq.km Pastoral Lease on the Roper River and MS Contracting which is a major civil contractor providing services to the oil and gas exploration industry providing the following services.

- Accommodation camps
- Project management
- Access Agreement negotiations
- Road construction
- Drill pad construction
- Seismic line preparation
- Rehabilitation
- Plug & Abandon of completed wells

Since 2012 MS Contracting has provided the above services to

- Pangaea Resources - NT
- Santos - NT
- Statoil Theta - NT
- Paltar Petroleum - NT
- Fugro AG – WA
- Buru Energy – WA

As part of my business interests I operate a Consulting Business and MS Contracting is my main client where I provide business, financial and administration advice and management.

I also have an Advanced Diploma in Arboriculture and Horticulture. These qualifications also give me some scientific knowledge. The City of Darwin is a major client for whom I am currently developing a Tree Management Plan.

I believe the combination of a lifetime in the cattle, agricultural and horticultural/Arboricultural industries and several years of experience in the gas exploration business gives me a unique insight into the way these industries can co-exist and the benefits that will flow not only to the cattle/agricultural industry but to regional Northern Territory as well.

As fifth generation Australians, land, cattle and horses have always been a major part of the Sullivan family's lifestyle and business. Water is essential to our families, our business and our livestock. All of our properties rely on underground water whether it be bores, rivers or springs.

There is no way I would support an industry that would endanger our water supplies!

But from my first hand knowledge of both industries I can state categorically that a properly regulated gas industry can co-exist with not only the pastoral/agricultural industry but will also be a major economic driver for regional Northern Territory.

Whilst I fully respect everybody's right to free speech and to have an opinion there are many lies being told by the anti-fracking lobby (and possibly by the pro lobby). Most of these untruths are spread by professional activists posing as "local" concerned citizens when they are actually employed by organizations like the Wilderness Society and flit from one state to another organizing protests. Eg. the same people appear in Narrabri in NSW and the NT. The Wilderness Society website clearly identifies these persons.

From the pastoral industry side of things a number of opponents of fracking are the same people who strongly opposed the Brucellosis and Tuberculosis Eradication Campaign in the Australian cattle herd but now enjoy the benefits of the only disease free cattle herd in the world.

2. The myths of Fracking:

Whilst I would prefer to concentrate on the positives I do want to make comment on some of the "dangers" of fracking that are circulating and have been voiced before the Committee.

a. Exploration on Aboriginal land.

Under the Northern Territory Land Rights Act anyone entering Aboriginal land for any reason must obtain a permit from the Traditional Owners through the relevant Land Council. The TOs have the legal right to reject a permit application to anyone without giving a reason.

b. Pastoralists claim gas wells would prevent them from obtaining Organic Certification.

Any property north of Elliot is above the tick line where chemicals are used to control cattle ticks and buffalo fly

All Stations use anti Botulism injections and/or 5 in 1 Injections and mineral injections at branding.
Many Stations use Compudose, a hormone implant

Organic Certification bans the use of any chemical, injections or implants

Epsilon Station at Moomba in South Australia has full Australian and US Organic Certification since 1996 and has numerous Santos oil & gas wells throughout the property. There are also numerous other cattle

stations in Queensland & SA corner country that have organic certification as well as gas wells on the same property.

c. Well and pipeline integrity.

Concerns have been raised around well integrity and possible leakages of gas into the atmosphere or aquifer. However, it appears that these concerns only relate to fracked wells. Exactly the same structural casing is used on both conventional and unconventional wells. Why is this not an issue with the thousands on conventional wells across Australia or the numerous off-shore wells?

The same argument is raised about on-shore pipelines. No mention of the thousands of kilometres of undersea pipelines.

It would seem to me that a pipeline or well casing leak would be more disastrous at sea than on-shore. The biggest oil spill disaster in Australia was Montara in the Timor Sea in 2009.

I have not been able to find any incidence of well failure on mainland Australia. However I realize that accidents can happen. But with the right regulations they can be managed.

d. Gas fields will deter tourists.

Once again Epsilon Station runs a Farm Stay and tour business with solid bookings. (See their website). Thousands of Grey Nomads each year visit Cameron's Corner and drive the Birdsville Track, the Stzelecki Track and other outback routes which all run through the Cooper Basin. [See wikkiustralia.Accommodation.queensland.](#)

A windfarm with 50 plus turbines would be more unsightly than low impact gas well heads.

e. Fracking will contaminate ground water.

A recent 3 year study by Duke University on 112 water wells in West Virginia, USA using baseline data from 20 water wells taken before drilling or fracking of shale gas commenced, showed conclusively that no contamination of underground water had occurred, however some contamination of surface water occurred from spills. [See attached Report from Duke University.](#) Spills can be contained and managed and a strict Regulatory System already exists in the NT.

Shale gas is not coal seam gas, however the activists use coal seam data to promote their cause.

A further study on groundwater in the Cooper Basin can be found at:
Underground Water Impact Report
www.eph.qld.gov.au/management/coal-seam-gas/.../cooper-basin-oil-uwir.pdf

In my opinion it is essential that a rigorous regulatory framework is maintained and baseline data on groundwater obtained prior to drilling/fracking and monitoring of bores continues for the life of the gas field and perhaps beyond. This already happens in the NT.

f. Hypocrisy of some activists.

Two brief examples of what I call hypocrisy by some activists; professional FIFO activists from the Wilderness Society flying Business Class on Qantas (I was on the same plane) to organize a protest against fracking.

One of the founders and a major funder of "Lock the Gate" and The Wilderness Society owns numerous Service Stations in Queensland selling of course, diesel, petrol and gas.

Are they really fair dinkum???

- g. All profits go to Multi-nationals

The main companies holding leases and prospecting for on-shore gas in the Northern Territory are Pangaea Resources (Private Australian Company), Armour Energy (Listed Australian Company) Origin (Listed Australian Company) Santos (Listed Australian Company), Central Petroleum (Listed Australian Company). Admittedly, some have off-shore farm-in partners or investors but the required capital is not available in Australia.

- h. All work goes to FIFO workers.

All of the above companies give preference to locals. Central Petroleum is moving as many employees as possible into Alice Springs because it believes in families being together.

MS Contracting is possibly the largest provider of services to explorers in the NT and does not use FIFO workers unless the required expertise is not available locally. Less than 1% are FIFO.

MSC operates a Training Centre at Flying Fox Station and in 2015, with Pangaea as the funding body, held a 6 week entry level training course for 16 young Aboriginal people in Cert. 11 in Resource Infrastructure & Operations. See attached report.

- i. All fossil fuels should be left in the ground.

Whilst most of the public probably do not realize it, virtually everything that is used by everyone, every day, primarily comes from 3 industries.

- The mining industry
- The petroleum industry
- The agricultural industry in its' various forms

Without the products provided by these industries none of the "renewables" could be built, no bitumen roads, no concrete buildings, no fuel for cars, no power, air conditioning, heat, no power lines etc. and of course no food or clothing or jobs.

Millions of Australians addicted to their mobile phone would not have a phone without the products supplied by the mining and petroleum industries.

3. The Economy, Infrastructure and the Regions:

Currently the Northern Territory economy is a basket case, particularly in the remote regions.

In recent years hundreds of millions have been spent on roads and infrastructure in the Darwin/Palmerston region and to a lesser extent in Katherine and Alice Springs. In my 51 years in the NT I have not seen one new regional road build unless there was a mine at the other end which contributed to the cost. (usually the majority of the cost). No other major regional infrastructure has been built by a Northern Territory government. Highway upgrades are paid for by the Federal Government.

Some regional roads have had small sections of bitumen laid but overall the regional road network has remained the same since the Commonwealth funded Beef Roads project in the late 1960 to early 1970s but overall the regional road network (if you can call it that) has remained the same for 50 years and many have deteriorated since then. Most regional roads are only passable for 6-7 months of the year.

Highway One, our national highway is a joke in northern Australia as it is a rough dirt track across the Gulf from Queensland to Borroloola in the Dry and impassable in the Wet.

The conditions under which pastoral business and anyone living or operating a business outside the main centres can be likened to a Third World country. They have:

- No mains power – costs from \$100/day to more than \$1,000/day depending on size of operation.
- No mains water – pumped from a bore/dam/river
- No mains sewerage
- No mobile telephone service
- Slow Satellite Internet service – none on cloudy days – children cannot download lessons
- No postal service
- No public transport
- Dirt roads impassable in the Wet – rough as guts in the Dry
- No health services
- No education services except School of the Air
- No market access for cattle in the Wet because of impassable roads
- There are virtually no employment opportunities for Aboriginal people living in remote regions, with most existing on welfare.

Now, there are some people who believe that living in a remote region is an ideal lifestyle and that the “*real Northern Territory*” should never be developed. (just in case they want to visit one day) Of course these people nearly all live in a city, usually a southern city, where all of the above services are taken as their “right” and complain bitterly when the lights temporarily go off or the traffic is backed up!

They have never had to get up in the middle of a hot, rainy, dark night to fix a broken down generator with a torch held by one of the kids or nurse a sick child who cannot get to hospital because the road is impassable and it is raining too hard for aircraft to land.

4. The Positives.

The economic and infrastructure problems in the remote regions will not all be solved by the production of on-shore gas but it will set the foundation for industries to evolve and fill the economic and infrastructure gaps that currently exist.

Some of those industries could include:

- Manufacture of fertilizers – northern Australia is looking to large scale agriculture (in its various forms) for its’ future – that requires fertilizer which is expensive. In the USA nitrogen fertilizer prices have dropped 15% since the supply of shale gas increased. Urea is manufactured from gas.
- Huge deposits of phosphate exist in the Territory but to turn it into fertilizer means shipping it overseas and then importing it back = stupidity. Wonara phosphate deposit is within a few kilometres of the proposed route of the Northern Gas Pipeline on the Barkly Tableland. Wonara has an inferred resource of 542 million tonnes @18% P₂O₅
- The NT has an under-utilized railway and port. Darwin is supposed to be the “*Gateway to Asia*” but in reality exports little except cattle.
- Andrew Liveris, CEO of Dow Chemicals, proposed to set up a chemical manufacturing plant in Darwin on the back of on-shore gas – no one listened and he is now heading up President Trump’s Manufacturing Council – an opportunity lost.
- Consider the virtual ghost towns of Larrimah and Daly Waters, once thriving small towns servicing the pastoral industry, tourism and the original railway.
- Larrimah is within the McArthur Basin and at the intersection of the Stuart Highway/Western Creek Road. Pangaea’s exploration activity is all situated on the Western Creek Road which it proposes to upgrade and bitumen at its own cost.
- In 2015, MS Contracting was tasked by Pangaea to design, engineer and cost the sealing of 65km of the Western Creek road. Pangaea also proposed to build a rail hub at the junction of the north/south

railway and the western Creek road. This types of investment would be replicated by other gas companies in other areas as they need year round access.

- Had this upgrade proceeded it would have injected \$80 - \$100 million into the regional economy, generated up to 80 jobs and provided all year round access for the 10 cattle stations that use the road – another lost opportunity if the moratorium continues.
- Larrimah is already a gazetted town that would become a thriving community with businesses serving the gas companies and contractors. Currently it has a pub and a small Tea Shop open in the tourist season.
- Daly Waters is the closest town to the Beetaloo Basin and could have a similar future as a hub.
- Other benefits to flow from the development of gas fields would be better communications as gas companies install mobile phone and data networks, gas fired power stations to supply power to the gas fields which could also be tapped into by the NT Government to supply mains power to Aboriginal communities and cattle stations.
- Increased opportunities for agriculture with the introduction of better roads to get produce to market at opportune times
- Reduced operating costs for pastoralists and transport companies as damage to trucks is decreased by the upgrading of dirt tracks to roads
- Improvements in animal welfare as the roadtrains carrying cattle are nor continually enveloped in dust on dirt roads and trip time is reduced.
- A reduction in road accidents caused by dusty, unmaintained dirt roads
- Local business and training & employment opportunities for Aboriginal people
- Royalties for Traditional Owners
- Royalties for the cash strapped NT government
- The injection of hundreds of millions of dollars into the NT economy, not just in business revenue but revenue to governments through payroll tax, income tax, GST, stamp duty on registrations etc.

The benefits are enormous but of course the risks must be identified and managed.

5. The right of Landholders to Veto access to their Pastoral Lease.

- a) Aboriginal people already have the legal right to deny access to anybody entering Aboriginal Freehold Land under the “Northern Territory Land Rights Act” and to say otherwise is a complete fabrication.
- b) This is even though the NT government still owns the minerals underground.
- c) Under Native Title Legislation all mining, oil/gas companies must also negotiate with and pay royalties to Traditional Owners for the right to mine on country under Native Title.
- d) Landholders in the Northern Territory do not own anything below the surface. All below surface minerals etc belong to the government.
- e) Pastoral landholders for the most part are Lease Holders. They do not own the land and therefore I do not believe they should have the right to veto. This applies also to non-Aboriginal freehold land.

Pastoral land in the NT is actually subject to two leases.

1. The Pastoral Lease above ground; and
2. The Mineral Lease below ground

If a landholder refuses to grant access under fair and reasonable conditions then effectively that landholder is preventing the holder of the underground lease (the miner) from accessing the commodity for which the owner of the land and the commodity below that land (the government) has given him a lease to do so. This is effectively a “secondary boycott”, illegal under the Trade Practices Act.

If a Pastoral Lessee exercised the power of veto then, given the above it would then be fair and reasonable for the owner of the land and the mineral (the government) to charge the Pastoral Lessee

an increased rent to the pro rata value of the mineral below the ground for as long as the veto remained in place.

I do firmly believe however a fair and reasonable Access Agreement should be negotiated prior to any access being granted and that a land holder should be compensated for the use of his land by a mining company.

There is already provision for this in the Northern Territory.

Compensation should be negotiated between the Mining Company and the Pastoralist and could take many forms, including a percentage of revenue on production, in kind compensation including infrastructure, contracts etc and will differ according to individuals and circumstances. Government should not become involved except as the regulator or as a mediator if negotiations break down or become protracted.

Offering a Pastoralist an extra guaranteed annual income stream to help offset the seasonal fluctuations we now experience would, I think overcome much of the current opposition.

6. Social Licence and no-go Areas.

The concept of “Social Licence” has always been a difficult one for me. I acknowledge all minerals in Australia belong to the government therefore the Australian people and should be utilized for the benefit of all where possible.

“Social Licence” is defined as the *“level of acceptance of local communities and stakeholders, of mining companies and their operations”*.

Therefore, I fail to understand why someone living in, say Melbourne, whose only experience with the Northern Territory is at 30,000 feet on the way to Bali, who probably could not find Larrimah on a map, or even people in Darwin, 700 kilometres from the nearest potential gas field are using the “social licence” argument against the extraction of gas in the NT. They are not local, they will probably never visit the region and importantly, they will be amongst the nett beneficiaries of increased economic activity from gas production in the NT.

To me local people are people who actually live in the remote regions where this is happening. And, yes, there are some of those who do object and may even have legitimate concerns and their concerns should be recognized and addressed.

We quite often hear the phrase *“what price do you put on the environment”*. This phrase is usually uttered by city dwellers who seem to think their city somehow magically appeared, when the fact is that entire ecosystems were destroyed over many years in order to build that city. The environment must be protected but a pristine environment with no industry is of little use to several hundred workers without a job, who cannot feed their families or pay their mortgage.

It was interesting to note that during the latter half of 2016 when gas companies were holding information seminars at many locations including Katherine and Darwin that not one Labor politician and only one Labor candidate attended. To my knowledge none of the opposing pastoralists were present at any event.

Now, people who oppose the fracking and production of shale gas have a right to do so but one would expect that in an effort to gain knowledge and make informed decisions a person would at least attend such a free seminar even if at the end they still did not agree. I guess blind faith triumphs over knowledge.

There are, I believe many areas in the NT that should be exempt from all types of mineral extraction; including:

- Cities, Townships, communities and populated rural areas Eg 20 acre blocks etc.
- National parks

- Sensitive historical or cultural areas
- In close proximity to major water courses or rivers

This of course does not include the most likely potential gas production regions;

- The Beetaloo Basin; and
- The McArthur Basin

Both of these potential gas fields are hundreds of kilometres from any major population centre, there are no major rivers and any historical or cultural sites will be identified and protected.

Particularly in the Top End there are no commercially viable gas reserves where the major population centres are located.

7. Conclusions.

As mentioned previously I have been in the NT for 51 years and still waiting for something to happen.

In the early 1970s I was managing Legune Station on the NT side of the NT/WA border. Over a four year period the NT Administration (prior to self government) surveyed the Keep River Plain on Legune for Stage 3 of the Ord River Scheme on the NT side of the border.

35 years later they are still thinking about it!!!

This has been the story of the Northern Territory for the last hundred years or more.

It took over a hundred years to complete the railway from Adelaide to Darwin.

At the moment the NT has 5 main industries:

- Cattle – dependent on the season and market forces as to price
- Horticulture – the same
- Tourism – depends not only on the Australian economy but overseas economies
- Mining – very small at this stage and also dependent on overseas markets
- Government – The NT has 1 public servant for every 12 head of population. – the biggest economic driver but also the biggest hindrance to getting anything done.

The Territory will never develop and become self-sustaining without development, industries and infrastructure.

Oil and gas will not be the total economic savior for the NT but without this industry going ahead and soon then there is little hope that the NT will not continue to decline both in population and economic development.

As I said at the beginning of this submission I believe that myself and my son Mark are in a unique position of being personally and financially involved in the cattle and oil/gas industries over a long period of time which gives us a rare insight into the operations of both.

It is my considered opinion that the gas industry is essential to the development of the Northern Territory and that it can comfortably co-exist with the cattle and other agricultural industries to the mutual benefit of both industries and the whole of the Northern Territory and Australia.

There will need to be vigorous regulation in all aspects of the industry but care must be taken not to over-regulate or this will also kill off the industry.

I have personally worked for a number of years within the current regulatory regime and consider that it is effective and meets the needs of both the industry and the government departments. Whether it meets the political requirements of the elected government remains to be seen.

Opponents must be made to realize that stopping the production of gas will simply mean the investment dollars will go elsewhere and the NT will become even more of a basket case than it is now.

I wish to thank the committee for taking the time to consider this submission and hope that my thoughts and experience will be of some beneficial use in your deliberations and am will to appear before the Committee or provide and information as requested.

Yours Sincerely

Bill Sullivan

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