

Dr Wayne Somerville
PO Box 744
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30 March 2014

Premier Barry O'Farrell
The Hon. Thomas George
The Hon. Michael Gallacher
The Hon. Jeremy Buckingham
The Hon. Brad Hazzard
The Hon. R. Borsak
The Hon. Kevin Hogan
Mayor Ernie Bennett
Mayor Jenny Dowell
The Hon. Ian Macfarlane
The Hon. John Robertson

The Hon. Anthony Roberts
The Hon. Chris Gulaptis
The Hon. Don Page
The Hon. Katrina Hodgkinson
The Hon. A. J. Stoner
The Hon. R. L. Brown
Dr J. Kaye
Mayor Danielle Mulholland
Ms Fiona Simson
Mr Michael Bullen
CC: Mr Peter Henderson

Dear Premier, Ministers, Members, Mayors and Officials,

Subject: Compelling Reasons to Suspend Metgasco's Operations

Mr Peter Henderson's 24 March 2014 e-mail letter to you (attached as Appendix 3) provides compelling grounds for the NSW Government to immediately suspend Metgasco's operations at the Rosella E01 well at Bentley, near Lismore.

Mr Henderson's letter raises serious questions about Metgasco's social license, the safety and performance of their operations, and their corporate culture, and has implications for the Rosella well and the NSW gas industry.

If it goes ahead, Rosella E01 would be Metgasco's second well drilled over 2,000 m into a tight sands formation. Metgasco's other tight sands well, Kingfisher E01, lacked integrity from the start, failed dramatically during decommissioning, and is subject to ongoing investigation by the NSW Trade and Investment Mine Safety Investigation Unit¹.

The Investigation Unit has found that throughout the operating life of the Kingfisher well a "loss of integrity" had allowed gas under pressure to migrate between the inside and outside of the well casing. This problem contributed in an as-yet-undetermined way to the "high risk incident" that occur during well decommissioning.

As Mr Henderson noted in his 24 March 2014 letter, "It is premature to speculate, the investigation process needs to be allowed to be concluded without hindrance."

Metgasco does not yet know what went wrong with their Kingfisher tight sands well, and now they are about to drill a similar well before a Mine Safety investigation of their earlier failure is completed.

The work at Bentley should cease at least until the Mine Safety Investigation of the Kingfisher E01 incident, and the Government's audit of existing gas mining licenses, are completed.

¹ NSW Government's Trade and Investment Mine Safety Investigation Unit Information Release No: IIR13-05, Date Issued: 28 August 2013, Safety File No: 13/2901, Prepared by: S. Millington, www.resources.nsw.gov.au/

About the Author

Mr Henderson introduced his letter to you with the claim that he was writing to “correct misleading information sent to you by the Lock-the-gate group (via Dr Somerville)”.

Mr Henderson’s portrayal of me as a spokesman for Lock the Gate (LTG) is untrue. Mr Henderson has falsely identified me with LTG, an organisation that he claims, “condones protest behaviour of any means, including violence and intimidation, to impose its views”.

I am not a spokesman for LTG, and never have been. As a mental health professional, grazier, and Landcarer, I have a lifelong commitment to the well-being of my community and the land we manage. I speak only for myself and my family.

I will not address Mr Henderson’s accusations regarding LTG. I have forwarded Mr Henderson’s letter to LTG for their consideration.

Mr Henderson’s imputation that I condone violence and intimidation is extremely offensive.

In a number of public addresses, most recently at the Lismore Workers Club on 11 March 2014, I have emphasised the need for opponents of gasfield industrialisation to act non-violently, and to show respect and consideration for police and mining company workers. I have treated hundreds of traumatised military and police service personnel, and I respect them and the work they do. I am doing what I can to ease the dangerous social tensions that Mr Henderson’s business plans are creating.

Metgasco’s Lack of a Social Licence

In his 24 March 2014 letter, Mr Henderson responded to my earlier comments that Metgasco has no social licence to operate in the Northern Rivers by questioning the validity and significance of community polling results. Specifically, Mr Henderson wrote:

“Be wary of supposed community poll data. We caution you about accepting as fact supposed poll data about the industry. A lot of the supposed poll data comes from areas well outside Metgasco’s exploration licences ... and you might reflect on whether the interests of people in these areas are the same as or even relevant to those of people living in Casino, the base of our operations, and the farmers who live in the Richmond Valley Council local government area.”

In addition to community surveys of attitudes to the CSG industry, three independent polls using the standardised question, “Do you support coal seam gas exploration and production in the Richmond Valley/Lismore Council area?” indicated a very low level of support for CSG in the Northern Rivers.

The Electoral Commission poll during Lismore Local Government elections in 2012 found that 13.14% of those polled supported CSG (86.86% against). This result was repeated in a poll conducted by Southern Cross University (SCU) in Lismore on Federal Election Day 2013 (85% opposed to CSG). An exit poll conducted in Casino by SCU in September 2013 found that only 18% of the 605 residents surveyed were in favour of CSG, with 65% opposed and 17% undecided.

Metgasco has no social licence to operate in Casino, Lismore, or anywhere else in the Northern Rivers, including the Bentley area, the site of the proposed Rosella well.

Many Northern Rivers people are determined to resist gasfield industrialisation, and I fear that the coming conflict could result in tragic or traumatic consequences that would scar this region, its people, and this Government for years to come.

The Safety of Gas Fields in Populated Areas

In his 24 March 2014 letter, Mr Henderson again perpetrated the scientifically unfounded claim that gas fields can be operated safely in populated areas. Mr Henderson claimed that “the gas industry operates safely all around the world”, and further opined that “Decisions should be based on science and fact, not who yells the loudest or who runs the most effective smear campaign on Facebook”.

A rapidly growing scientific literature attests to the serious health impacts of operating gas fields in populated areas, and important new research needs to be added to my report on the health impacts of CSG and shale gas mining².

Recent peer-reviewed research has documented the effects of exposure to hormone disrupting chemicals in gasfield pollution. Produced in massive quantities by this industry, exposure to even minute amounts of these substances increases the risk of birth defects, cancer, and other diseases, especially in children^{3,4}.

As detailed in my report, “Is CSG Safe? A Failed Public Debate”⁵, Mr Henderson was unable to provide scientific evidence to support a number of extraordinary claims that he made about the safety of the gas mining industry at a 14 November 2013 meeting with Kyogle Mayor Danielle Mulholland, myself, and others.

Of particular concern, was Mr Henderson’s claim that, with no processing or filtering at all, Metgasco’s CSG produced water meets “Australian Drinking Water Guidelines, apart from its salt levels” and “after some salt removal, is suitable for irrigation” and “is suitable for stock watering, even without salt removal.”

Mr Henderson’s claims regarding the safety of Metgasco’s wastewater bear directly on the issue of whether Metgasco should be allowed to operate in the Northern Rivers.

Mr Henderson did not produce chemical assays to back his claim about the safety of Metgasco’s waste water. Rather, he directed me to AGL’s Environmental Health Impact Statement (EHIS) which disturbingly showed that in AGL’s Camden waste water, arsenic, barium, benzene, and Total Petroleum Hydrocarbons exceeded Australian Drinking Water standards by 10 or more times, and strontium, nickel, lead, bromine, iodine, fluoride, methane, naphthalene, benzo(b)fluoranthene, and benzo(a)pyrene also exceeded guidelines.

² Dr Wayne Somerville (2013) CSG and Your Health: Self-help Risk Management Tools. <http://www.creeksbend.com/CSG%20Health%20Risk%20Management%20Tools%20-%20Dr%20W%20Somerville.pdf>

³ Kassotis, C.D., Tillitt, D.E., Davis, J.W., Hormann, A.M. and Nagel, S.C. (2013). Estrogen and Androgen Receptor Activities of Hydraulic Fracturing Chemicals and Surface and Ground Water in a Drilling-Dense Region. *Endocrinology*. doi: 10.1210/en.2013-1697. endo.endojournals.org

⁴ McKenzie, L.M., Guo, R., Witter, R.Z., Savitz, D.A., Newman, L.S. and Adgate, J.L. (2014). Birth Outcomes and Maternal Residential Proximity to Natural Gas Development in Rural Colorado Environmental Health Perspectives. <http://dx.doi.org/10.1289/ehp.1306722>

⁵ Dr Wayne Somerville (2014) Is CSG Safe: A Failed Debate. [http://creeksbend.com/Dr%20W%20Somerville%20\(2014\)%20Is%20CSG%20Safe%20-%20A%20Failed%20Debate.pdf](http://creeksbend.com/Dr%20W%20Somerville%20(2014)%20Is%20CSG%20Safe%20-%20A%20Failed%20Debate.pdf)

While Mr Henderson continues in his attempts to “turn a problem into a product”, claiming that local gas drilling wastewater is safe without processing, Santos has been fined for the contamination of an aquifer in the Pilliga area with CSG wastewater, and a recent article in the Australian Medical Association’s journal⁶ highlighted the serious health impacts associated with CSG waste water.

Premier O’Farrell informed me that Minister Roberts will advise me if, in the Government’s opinion, Metgasco’s compliance with regulations justifies Mr Henderson’s claims that local gas drilling waste water is safe for humans, animals and crops without any treatment.

It should be a straightforward process for Mr Henderson, or the Government department that authorises him to make such claims, to produce chemical assays, comparable in quality and comprehensiveness to those published by AGL, to verify the truth of Mr Henderson’s claims about the safety of Metgasco’s produced water.

If Mr Henderson’s claims regarding the safety of Metgasco’s produced water cannot be supported by appropriate scientific evidence, then this company’s operations have no legitimacy. Such false and misleading information would affect, or even invalidate, informed consent, landholder access agreements, and local government approvals.

I call on Minister Roberts to direct Metgasco, or the relevant Government department, to publish the chemical assays and scientific evidence that purportedly support Mr Henderson’s claims about the safety of Metgasco’s produced water.

Metgasco’s Record of Environmental Incidents

As Mr Henderson said, “let’s get the facts right” regarding the claim he made in his 3 March 2014 letter (attached as Appendix 1) that:

“We have been a good corporate citizen in the Casino area for ten years. We have drilled more than 50 wells without an environmental incident, have had 300 voluntary land access agreements and never had a reportable environmental incident.”

In his 24 March 2014 letter, Mr Henderson took exception to the media accounts of Metgasco’s environmental incidents that I quoted in my 20 March 2014 response (attached as Appendix 2).

In regards to the 19 June 2012 Northern Star report that Metgasco was issued two Penalty Infringement Notices totalling \$5,000 for incidents of non-compliance with the Act, Mr Henderson claimed that “Metgasco challenged the notices and fines as being invalid and unreasonable and they were not pursued. The notices were effectively withdrawn and no penalties paid.”

I note that the NSW Trade and Investment Register for Reporting Enforcement Action for Non-compliance with the Mining Act 1992 or the Petroleum (Onshore) Act 1991⁷ records three enforcement actions against Metgasco.

⁶ Coram, A., Moss, J., and Blashki (2014) Harms unknown: Health uncertainties cast doubt on the role of unconventional gas in Australia's energy future. *The Medical Journal of Australia*, 200 (4), Pages 210 – 213.

⁷ http://www.resources.nsw.gov.au/__data/assets/pdf_file/0007/469906/non-compliance_register.pdf

As Mr Henderson stated, the original penalty infringement notices were withdrawn with “no penalties paid”, but Metgasco had to be directed to comply with the conditions of their petroleum title. This outcome does not support Mr Henderson’s claim that Metgasco has “never had a reportable environmental incident”.

I also note that: a) in February 2011, Metgasco’s chief operations officer, Mick O'Brien, said that methane was found to be leaking from two sealed wells near Bentley and north-west of Casino⁸; and b) in June 2012, the State Government found that Metgasco did not provide adequate freeboard in its wastewater holding ponds and directed the company to draw down the levels.⁹

Of much more serious concern however, are Mr Henderson’s comments in his 24 March 2014 letter regarding the Kingfisher well incident. Mr Henderson wrote:

“The letter includes a reference to an incident with the Kingfisher well. The incident is the subject of an investigation by the Department of Trade and Industry. Metgasco is cooperating fully with this investigation. It is premature to speculate, the investigation process needs to be allowed to be concluded without hindrance. The Lock the Gate group - or anyone else for that matter - is in no position to comment on the incident.”

How can Mr Henderson claim that an ongoing investigation into this incident means that no one can comment on what happened, or that this did not constitute a “reportable environmental incident”?

The NSW Government’s Trade and Investment Mine Safety Investigation Unit Information Release¹⁰ regarding the 14 July 2013 “high risk incident” at the Kingfisher EO1 gas well in Casino noted:

“On 14 July 2013, about 200 m of pipes and drill collars were rapidly ejected from the Kingfisher EO1 gas well, into the air, and landed in the vicinity of the drill pad and a number of workers. No one was injured as a result of the incident; however the safety of the workers was affected. The risk to which the workers were exposed is considered by investigators to have been very high. There was also significant equipment damage associated with the incident.”

“The incident occurred during attempts to decommission the Kingfisher EO1 well. The well was over 2,000 m deep and was experiencing continually rising pressure in the annular void around the production casing. The production casing was a 4½ inch diameter steel casing installed in the full depth of the well.”

“The pressures experienced in the annular void led to the installation of a temporary isolation plug (bridge plug) at about 200 m rather than at a greater depth.”

“Loss of integrity in the well meant that gas under pressure could migrate between the inside and outside of the casing. *This had been known during the operating life of the well*” (Italics added).

⁸ <http://www.northernstar.com.au/news/local-gas-wells-found-leaking-metgasco-lismore/778228/>

⁹ <http://www.northernstar.com.au/news/a-deluge-would-be-a-disaster/1428841/>

¹⁰ NSW Government’s Trade and Investment Mine Safety Investigation Unit Information Release No: IIR13-05, Date Issued: 28 August 2013, Safety File No: 13/2901, Prepared by: S. Millington, www.resources.nsw.gov.au/

The Mine Safety Investigation Unit Information Release¹¹ also noted:

“After a period of milling, work was stopped for the day and the driller pulled back the drill string. As he did so the drill string began to eject from the well. The mass of the drill string components was insufficient to overcome the well pressure. The drill string was ejected from the hole with powerful force. There were six workers at various locations around the drill pad.”

“The workers report running away from the workover rig towards safe muster points and in doing so *saw sparks and a brief ignition of gas above the rig* (italics added) as the last of the pipes ejected from the well. The drill string broke into four parts which fell in the vicinity of the drill pad and the six workers. One of the drill pipes was ejected over the drill pad fence into the neighbouring paddock. The incident discloses high risks associated with drilling activities. The causes and circumstances surrounding the incident are being investigated by the department’s Investigation Unit.”

“The Mine Safety Investigation Unit has issued this information to draw attention to the occurrence of a serious incident in the petroleum-onshore gas industry. The investigation is ongoing. Further information may be published as it becomes available.”

As a result of this incident, interim recommendations were made in the NSW Government’s Trade and Investment Mine Safety Investigation Unit Safety Alert SA13-08 “Drill string ejected from hole”¹². A phone request for an update on this ongoing investigation has been followed up by a required written application to the Mine Safety Investigation Unit.

The NSW Government’s Mine Safety Investigation Unit Information Release made it clear that the 14 July 2013 incident at the Kingfisher EO1 gas well exposed workers to a “very high” risk, and that the well had suffered a “loss of integrity” throughout its operating life such that “gas under pressure could migrate between the inside and outside of the casing”.

This failure of well casing integrity meant that gases and fluids from different geological strata were able to mix in an uncontrollable and unknowable manner. There were indications that the incident could have been much more serious in that there were “sparks and a brief ignition of gas above the rig as the last of the pipes ejected from the well”.

Given that Mr Henderson, in his 24 March 2014 letter, referred to the 14 July 2013 Kingfisher well blow-out as an “incident”, and the Mine Safety Investigation Unit referred to it as a “high risk incident” and as a “serious incident”, it seems reasonable to conclude that, contrary to Mr Henderson’s 3 March 2014 claim, this was indeed a “reportable environmental incident”.

In his 24 March 2014 letter, Mr Henderson provided a second curious argument to minimise the significance of the 14 July 2013 incident by opining that:

“In any event, the Lock the Gate group seems to be suggesting that an industry or activity should be subject to disqualification on the basis of one incident - on this basis, few industries or activities, if any, would survive.”

¹¹ NSW Government’s Trade and Investment Mine Safety Investigation Unit Information Release No: IIR13-05, Date Issued: 28 August 2013, Safety File No: 13/2901, Prepared by: S. Millington, www.resources.nsw.gov.au/

¹² http://www.resources.nsw.gov.au/_data/assets/pdf_file/0009/471591/SA13-08-drill-string-ejected-from-hole.pdf

Mr Henderson's comments raise serious doubts about the safety of Metgasco's operations and the ability of this company to properly assess and manage risk to workers and the community.

Given that Metgasco has drilled 50 gas wells, the 14 July 2013 Kingfisher well blow-out, ignoring all other incidents, constitutes an overall 2% rate of serious well failure. Given that the Kingfisher well is the only well that Metgasco has drilled into a "tight sands" sandstone formation, then their rate of serious failure for this type of well is currently 100%.

Should any industry involving potentially dangerous industrial processes accept even a 2% rate of serious failure? Certainly, this level of performance would be unacceptable for the aircraft, motor vehicle, building construction, and many other industries.

If Metgasco's demonstrated level of competence in drilling gas wells during the less intensive exploratory phase was realised in a developed gas field of say 1,000 wells, 20 serious well failures could be expected – a clearly unacceptable outcome.

Implications for the Rosella E01 Well near Bentley

According to Metgasco^{13,14}, the proposed Rosella E01 well near Bentley in Lismore's water catchment, is a "commercially high risk" well that will test the tight sands potential of the Greater Mackellar structure. The Rosella E01 operation follows on from "the discovery of tight gas in the Kingfisher E01 well in late 2009". If commercial quantities of gas are found, Metgasco plans to commercialise the "Greater Mackellar field" "as fast as possible".

In his 24 March 2014 letter, Mr Henderson claimed that there "is an abundance of regulations and approval processes in NSW to ensure that the gas industry operates safely", but it appears that few of these regulations and processes apply to the Rosella well.

According to the 5 February 2014 NSW Government Trade and Investment Office of Coal Seam Gas Assessment Report¹⁵, the tight sands Rosella E01 well was not subjected to regulations that apply to coal seam gas wells. Therefore, coal seam gas exclusion zones do not apply, Part 4 of the Environmental Planning and Assessment Act 1979 does not apply, and Minister Roberts, as the determining authority, is required to determine whether or not the proposed activity is likely to significantly affect the environment.

However, the Office of Coal Seam Gas noted that since the proposed Rosella well targeted a tight sand formation, any gas extraction from the structure would likely be by unconventional means (i.e., with fracking and aquifer depressurisation), and under the conditions of PEL16 this would require a further written approval from the Minister.

The Environment Protection Authority (EPA) has no formal approval role for non-CSG wells, and the EPA and the Department of Planning and Infrastructure (DPMI) did not make submissions in relation to the proposed Rosella well. Further, I note that neither the NSW Government's Department of Trade and Investment or the Mine Safety Investigation Unit made submissions to the Minister in relation to Metgasco's Rosella well.

¹³ Metgasco Quarterly Activities Report – Quarter ended 31 December 2013
<http://www.asx.com.au/asxpdf/20140131/pdf/42mfdk2vbst6s6.pdf>

¹⁴ Metgasco 12/3/2014 Excellence in oil and gas <http://www.metgasco.com.au/industry-news/excellence-oil-gas>

¹⁵ NSW Government Trade and Investment Office of Coal Seam Gas Assessment Report. 5 February 2014. Petroleum exploration license 16 Metgasco Rosella conventional gas exploration well: Part 5 determination and activity approval.

Rosella E01 would be the second well that Metgasco has drilled into “tight sands” formations. Their only other tight sands well, Kingfisher E01, lacked integrity from the start. This problem contributed in an as-yet-undetermined way to the “high risk incident” that occurred during well decommissioning. The incident and its causes are subject to an ongoing investigation by the Department of Trade and Industry.

Metgasco does not yet know what went wrong with their Kingfisher tight sands well, and they are about to drill a similar well before an investigation of their earlier failure is completed.

It appears that Minister Robert’s office may not have been informed of the Mine Safety Investigation Unit’s ongoing investigation of the lifelong problems experienced by the Kingfisher well and the serious incident that occurred during decommissioning.

Minister Roberts was recently quoted as saying, “We want an application process that sends a clear message that the Liberals and Nationals Government will only accept best-practice standards”, and “Speculators or cowboys need not apply.”¹⁶

Is it “best-practice standards” for Metgasco to drill the “commercially high risk” Rosella well, in the face of strong community opposition, when the integrity of their only other tight sands well was compromised throughout its life? It could be argued that Metgasco’s actions qualify for both the “speculator” and “cowboy” categories.

For the compelling reasons raised by Mr Henderson’s 24 March 2014 letter, I call on Minister Roberts and the NSW Government to immediately suspend Metgasco’s operations at the proposed Rosella E01 site.

It seems reasonable that Metgasco’s operations be suspended at least until the Mine Safety Investigation is completed, and the Government becomes confident that Metgasco has understood the investigation’s findings, and developed the technical expertise and risk management culture necessary to successfully and safely undertake such an operation.

Metgasco and the NSW Gas Industry

In his 24 March 2014 letter, Mr Henderson attempted to link Metgasco’s fate with that of the entire NSW gas industry. Mr Henderson claimed that:

“Any action to appease vocal protestors by slowing or stopping the gas industry will be bad for NSW as a whole, not only for the gas industry and NSW’s energy supplies.”

From Mr Henderson’s observation that “the resource industry and gas in particular is important to the NSW community and the NSW government supports it”, it does not follow that what is good for Metgasco is good for NSW or the gas industry.

Metgasco’s exploration licences were granted during the Obeid/McDonald era and renewed by ex-Minister Hartcher, but are now the responsibility of Minister Anthony Roberts.

The 26 March 2014 Sydney Morning Herald reported that Premier O’Farrell has announced a six-month freeze on processing new exploration licenses and an audit of existing licences.

¹⁶ Sydney Morning Herald, 26 March 2014, “Six-month freeze on NSW coal seam gas exploration licenses” <http://www.smh.com.au/action/printarticle?ID=5295702>

The article in the 26 March 2014 Sydney Morning Herald stated that:

“Mr O’Farrell pointed out that three quarters of the licences granted under Labor were issued by former ministers Eddie Obeid and Ian McDonald, who were later found to have acted corruptly by the Independent Commission Against Corruption. The Premier said the licences granted under Labor were handed out with ‘virtually no oversight and clearly no thought’ for a \$1,000 fee that was ‘less than Ian McDonald spent on his average lunch’. Minister Roberts was quoted as saying “we are sending a very clear message that only reputable operators are wanted in the State of NSW”.¹⁷

For a multitude of well-documented and scientifically valid, economic, social, health and environmental reasons, gasfield industrialisation has no place in populated and environmentally precious areas like the Northern Rivers. Petroleum Exploration Licences should never have been granted or renewed for this area. In the best interests of this region and its people, Metgasco’s licences should be revoked immediately.

Would the loss of Metgasco have a positive or negative impact on the future prospects of the NSW gas industry?

It could be reasonably argued that the NSW Government and the gas industry would benefit from declaring the Northern Rivers a gasfield free region. In Queensland, Premier Newman’s declaration, prior to the last State election, of CSG free zones in the Scenic Rim, south of Brisbane to the border, and the Felton Valley, has not impeded the Queensland gas industry. But would doing business as a gas miner in Queensland be easier or harder if a gas company attempted to build unpopular gas fields near the Gold Coast or in the Scenic Rim?

It could also be argued that Metgasco operating in the Northern Rivers has contributed substantially to growing the greatest social and environmental movement in the history of New South Wales.

I call on the NSW government to not only immediately halt Metgasco’s operations at the Rosella E01 site, but to also seriously consider whether this company offers industrial development that is appropriate for this region, genuinely beneficial to the community, and likely to satisfy the high standards of practice required by the NSW Government.

Please contact me if you wish to discuss this letter, or if I can be of any further assistance.

Yours faithfully,



Dr Wayne Somerville

¹⁷ Sydney Morning Herald 26 March 2014 “NSW freezes new CSG exploration permits”
<http://www.SMH.com.au/environment/NSW-freezes-new-CSG-exploration-permits-20140326-35HXV.HTML>

Appendix 1 – Mr Henderson’s 3 March 2014 Letter

METGASCO

3 March 2014

The Hon. Anthony Roberts MP
 Mr Chris Gulaptis MP
 The Hon. Don Page MP
 Cr Ernie Bennett
 Cr Jenny Dowell
 CC: Ian Macfarlane MP, Mr Michael Bullen

The Hon. Thomas George MP
 The Hon. Michael Gallacher
 Ms Katrina Hodgkinson MP
 Cr Danielle Mulholland
 Ms Fiona Simson

Ladies and Gentlemen,

Subject: Lawless behaviour

I wish to draw your attention to ongoing, unlawful activity that is occurring in Bentley (Richmond Valley Council, Northern Rivers) and seek your support for basic farmer rights. Environmental activists are attempting to intimidate a farmer who has enthusiastically agreed to allow a gas well to be drilled on his property. Their actions go well beyond any notion of a peaceful protest.

In the past few weeks:

- the farmer’s gates have been chained and padlocked on five occasions and welded shut on two occasions;
- a barrier made of railway lines, concreted into the ground, has been erected to prevent his entry (<http://www.echo.net.au/2014/02/bentley-blockade-ramps-up/>);
- protestors have trespassed onto his property to remove materials for barricading purposes; and, now,
- a concrete trench with metal spikes has been installed in his driveway (refer to attached photograph).

Apart from an infringement of the farmer’s rights, the latter incident could have resulted in a serious safety incident.

The actions above are similar to those taken against the farmers who supported Metgasco in our two well drilling program in early 2013. During the program, the protestor's actions included a death threat, a bomb hoax, threats to the farmers and Metgasco employees, damage to equipment and ongoing harassment. The actions go well beyond anything that could be described as peaceful protest.

Farmers have rights to their land and to manage it as they see fit, subject to compliance with laws and regulations - surely this is a principle that we all endorse?

Metgasco also has rights. We have been a good corporate citizen in the Casino area for ten years. We have drilled more than 50 wells without an environmental incident, have had 300 voluntary land access agreements and never had a reportable environmental incident. We have spent more than \$100m on exploration and demonstrated significant reserves of gas. We have exploration licences to allow us to explore and have all environmental approvals for the well we are about to drill.

None of us takes any exception to people protesting and expressing different views.

Furthermore, I am sure that we all understand and accept that we live in a democratic society and that if people do not agree with a policy they can raise it at the appropriate level. In the case of resources, the appropriate level of government is the NSW State Government. There is no justification whatsoever for protestors becoming vigilantes and abusing farmers in this cowardly way.

We would like our rights respected, but of most importance we call on you to do all that you can to support the rights of our Bentley farmer.

Yours sincerely

Peter J Henderson
Managing Director and Chief Executive Officer

Appendix 2 – Dr Wayne Somerville’s 20 March 2014 Letter

Dr Wayne Somerville
PO Box 744
Kyogle NSW 2474

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Premier Barry O’Farrell
The Hon. Thomas George
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The Hon. A. J. Stoner
The Hon. R. L. Brown
Dr J. Kaye
Mayor Danielle Mulholland
Ms Fiona Simson
Mr Michael Bullen

Dear Premier, Ministers, Members, Mayors and Officials,

Subject: Metgasco CEO Peter Henderson’s “Lawless Behaviour” Email

I am writing in response to Metgasco CEO Peter Henderson’s e-mail, dated 3 March 2014, concerning alleged illegal actions at the Bentley gas well site, and his call for support for the rights of his company and the farmer who granted access.

In pursuit of his and his company’s commercial interests, Mr Henderson is pushing ahead with his plan to develop an industrialised gas field in a populated rural area in Lismore’s water catchment.

As Mr Kevin Hogan, the local National Party Federal member has repeatedly explained, for numerous reasons, unconventional gas fields are an entirely inappropriate industrial development for the Northern Rivers.

I am very concerned that Metgasco’s plans, and their failure to earn the support of the local community, are creating an increasingly volatile situation that could result in serious negative social and health impacts on the people of this region.

Metgasco has the approval of the farmer who owns the land where the well is to be drilled, but it has no social licence to operate in the Northern Rivers, and is persevering despite strong widespread opposition from the community and other farmers who live nearby.

Metgasco’s operations are legal, but this does not ensure that this company’s actions are socially responsible or in the best interests of the local community or the people of New South Wales more generally.

In order to achieve his business plan, in letters to then-Minister Hartcher and others, dated 23 January 2013 and 6 February 2013, Mr Henderson called for a substantial and permanent police presence at Metgasco drilling sites and “mandatory sentencing” of those found guilty of offences.

Of particular concern is Mr Henderson's March 2014 emotional call for exceptional police support at public expense to defend the "rights" of his company and the cooperating farmer in Bentley. Our regular Police Service and the laws they uphold are fully adequate for dealing with the kinds of unlawful acts alleged by Mr Henderson. Mr Henderson's claim that his company's rights are being violated is unnecessarily divisive because it raises questions about how other people's rights are being treated.

How do you balance the right of an individual farmer and one gas mining company to profit, against the rights of local children to live in a safe and unpolluted environment, or the rights of local farmers to a level economic playing field that protects their businesses and the value of their properties, or the rights of the community to clean water and air, or the rights of local residents to the quiet enjoyment of their properties?

In his email, Mr Henderson claimed that: "We have been a good corporate citizen in the Casino area for ten years. We have drilled more than 50 wells without an environmental incident, have had 300 voluntary land access agreements and never had a reportable environmental incident."

Nonetheless, as the following media reports demonstrate, Metgasco's public record as an environmentally responsible corporate citizen is not without blemish.

The Northern Rivers Echo of 14 June 2012 reported that:

"Mining company Metgasco has been cautioned by the Environment Planning Authority (EPA) for illegally disposing of more than one million litres of coal seam gas waste water into the sewage treatment plant at Casino. The EPA's formal notice to stop was issued in April, after the company had already been dumping water at the plant for nearly a year. Richmond Valley Council was also cautioned for breaching its sewage treatment plant licence conditions by accepting the waste water."

The Northern Star of 19 June 2012 reported that:

"Metgasco has been fined \$5,000 by the State Government for failing to provide information about its plans to dispose of wastewater produced by the coal seam gas extraction process. The fines were revealed on a government web site which listed cases of 'non-compliance' with the Mining Act and Petroleum (Onshore) Act. The breaches related to petroleum exploration license (PEL) 16, which covered an area including Casino and north of the town, and license 426 which covered an area including Grafton."

"A spokeswoman for resources and energy minister Chris Hartcher confirmed the government 'issued a direction requiring Metgasco to submit a Water Management Plan, including details of all water holding ponds and water movements' on April 27."

"Two penalty infringement notices totalling \$5000 were issued ... for failing to comply with all requirements of the direction,' the spokeswoman said. The spokeswoman also said the fines did not relate to the disposal of water by the company at the Casino sewage treatment plant."

The Northern Star of 27 September 2013 reported that:

“A dangerous incident that occurred during the decommissioning of one of Metgasco's gas wells near Casino in July is the subject of an inquiry by the NSW Mine Safety Investigation Unit.” “About 200m of steel drill pipe was forcibly ejected from a gas well due to an unplanned release of gas at high pressure. The gas well was being decommissioned at the time. Some workers were put at serious risk of harm from falling pipes.”

“On July 14 this year six Metgasco workers were placed into a ‘very high’ risk situation during the shutdown operation of the Kingfisher E01 well on the outskirts of Casino, when 200m of steel drill pipes shot out of the well without warning. The incident followed an attempt to drill through a special plug installed 200m down the 2km well shaft to ‘bleed off’ rising pressure.” “But the level of pressure build-up was much higher than predicted. Flying metres into the air, the pipes fell to earth around the site, missing the six fleeing workers but causing extensive damage to surrounding equipment. In an indication of the force, one of the drill pipes was ejected out of the drill site and into a neighbouring paddock.”

“The Mine Safety Investigation Unit reported the well had experienced ‘continuously rising pressure’ during its lifespan due to loss of well integrity. ‘Loss of integrity ... meant that gas under pressure could migrate between the inside and outside of the (well) casing,’ it stated. It suggested efforts to monitor and control this building pressure had failed; one of the causes was an ‘insufficient understanding’ of the level of pressure build-up, and the plug was installed too close to the surface.”

I respectfully request that you do what you can to defuse a potentially dangerous conflict that is developing between a determined gas mining company and a community just as determined to protect itself from gas field industrialisation.

Please contact me if you require further information, or if you wish to discuss this letter.

Yours faithfully,

Dr Wayne Somerville

Appendix 3 – Mr P Henderson’s 24 March 2014 Letter

24 March 2014

The Hon. Barry O’Farrell, MP
 The Hon. Michael Gallacher, MP
 The Hon. Katrina Hodgkinson, MP
 The Hon. Anthony Roberts, MP
 The Hon. Thomas George, MP
 The Hon. Jeremy Buckinham, MP
 The Hon. Robert Brown, MP
 Dr. John Kaye
 Cr. Danielle Mulholland, Mayor
 Ms. Fiona Simson

The Hon. Andrew Stoner, MP
 The Hon. Brad Hazzard, MP
 The Hon. Don Page, MP
 The Hon. Chris Gulaptis, MP
 The Hon. Kevin Hogan, MP
 The Hon. Robert Borsak, MP
 The Hon. Ian Macfarlane, MP
 Cr. Ernie Bennett, Mayor
 Cr. Jenny Dowell, Mayor
 Mr. Michael Bullen

Dear Ladies and Gentlemen,

Subject: Community confidence

I refer to the letter Dr Wayne Somerville sent to you on 19 March. I write to correct misleading information sent to you by the Lock-the-gate group (via Dr Somerville) and to provide a perspective on current protest issues.

Let's get the facts right.

□ Metgasco did not “dump” coal seam gas water into the Richmond Valley Council (RVC) sewage treatment plant. The RVC gave us approval to dispose of the water to the sewage treatment plant after we had presented an environmental study in support of this action. We were not cautioned by the EPA. Instead, the EPA cautioned the RVC because RVC’s licence did not explicitly include coal seam gas water or other water sources that were being processed in the sewage treatment plant. The EPA noted that no environmental damage had been done and later approved the use of the sewage plant for more coal seam water discharges, recognising that it was an environmentally acceptable thing to do.

□ There is reference to two infringement notices and associated \$5000 fines that do not relate to the sewage treatment plant but to the speed and style of information provided to a government department request. Metgasco challenged the notices and fines as being invalid and unreasonable and they were not pursued. The notices were effectively withdrawn and no penalties paid.

□ The letter includes a reference to an incident with the Kingfisher well. The incident is the subject of an investigation by the Department of Trade and Industry. Metgasco is cooperating fully with this investigation. It is premature to speculate, the investigation process needs to be allowed to be concluded without hindrance. The Lock the Gate group - or anyone else for that matter - is in no position to comment on the incident. In any event, the Lock the Gate group seems to be suggesting that an industry or activity should be subject to disqualification on the basis of one incident - on this basis, few industries or activities, if any, would survive.

In the interests of limiting the length of this letter we are not responding to other misleading information and comments in the letter, but we do wish to comment on the matter of actions taken by anti-gas protestors and our request for police support.

Metgasco cannot understand how death threats, bomb hoaxes, damage to equipment, intimidation of company employees, contractors and farmers, and deprivation of landholder rights can be dealt with in any other way than lawfully i.e. by notifying police and requesting police support. Metgasco has done no more than what any other community member should do in these circumstances.

The issues at the core of this letter is that the Lock the Gate group:

- does not accept that the NSW government has carefully considered the issues before allowing the gas industry in NSW to proceed under strict regulation;
- does not accept the gas companies are competent or trustworthy or that NSW government checks and balances are sufficient;
- does not accept that Metgasco has been granted lawful rights by the state to explore and commercialise gas resources owned by all the citizens of the state;
- does not accept the rights of others in the community to disagree with their views; and
- by its promotion of passive protests that break the law (i.e; restricting or preventing others from pursuing their lawful rights) and by its failure to condemn more outrageous behaviour, Lock the gate condones protest behaviour of any means, including violence and intimidation, to impose its views.

A prime example of the last two points is the treatment of farmer, Mr Graham, on whose property a conventional gas well will be drilled. The property has already been blockaded on numerous occasions (gates padlocked, gates welded shut, railway sleepers and star pickets concreted into the entrance) and Mr Graham's family has been subject to ongoing harassment.

Be wary of supposed community poll data

We caution you about accepting as fact supposed poll data about the industry. A lot of the supposed poll data comes from areas well outside Metgasco's exploration licences and from areas such as Byron Bay that have no coal seam gas or conventional potential. Places like Murwillumbah, Nimbin and Byron Bay are not in Metgasco's exploration licenses and you might reflect on whether the interests of people in these areas are the same as or even relevant to those of people living in Casino, the base of our operations, and the farmers who live in the Richmond Valley Council local government area.

You should also consider the supposed poll data in the light of the misleading and intimidating climate in which it is collected. You might also recall that there was a huge community uproar in 2010 when Woolworths wanted to build a new supermarket in Mullumbimby. From what we have been told, three years later there is no opposition, the supermarket is thriving, the world has not come to an end and a huge number of the people who opposed the new supermarket with a passion are shopping there. In the case of our industry, we are confident that resistance will reduce when people have the time to see through the scare tactics that have been applied.

Accountability

The leaders of the anti-gas group hold no formal elected position and, in the same way that they are not prepared to take any accountability for the unlawful intimidation of the farmers with whom we work, they also take no accountability for the community's welfare in terms of energy supplies, employment, economic prosperity of rural communities and balanced budgets.

Any action to appease vocal protestors by slowing or stopping the gas industry will be bad for NSW as a whole, not only for the gas industry and NSW's energy supplies. Decisions should be based on science and fact, not who yells the loudest or who runs the most effective smear campaign on Facebook.

If the government wishes to take action to reassure citizens of the Northern Rivers, which we would welcome, we recommend that it makes it clear to the community that:

- the resource industry and gas in particular is important to the NSW community and the NSW government supports it;
- resource development and looking after the environment are not mutually exclusive, the gas industry operates safely all around the world, and co-exists with farmers;
- there is an abundance of regulations and approval processes in NSW to ensure that the gas industry operates safely, as well as measures such as the appointment of Jock Laurie as Land and Water Commissioner - a means of providing confidence to individual landholders;
- the rights of landholders and gas companies will be respected; and that
- the NSW Government will not tolerate those who break the law.

If people disagree with decisions there are processes that they can pursue and that do not break the law. They must respect the outcomes of these processes.

Yours sincerely

Peter J Henderson
Managing Director and CEO