

RaaS Interview – Empire Energy Group (ASX:EEG)

8 April 2024

Duration 15 minutes 16 seconds

00:00:02:07 - 00:00:20:07

Finola Burke

Hello, I'm Finola Burke from RaaS and today, we're focusing on NT-focused energy company Empire Energy Group (ASX ticker EEG). Joining me to discuss the latest developments is managing director Alex Underwood and my colleague Andrew Williams. Thank you, Alex and Andy for joining me.

00:00:21:04 - 00:00:21:16

Alex Underwood

Hi Finola.

00:00:23:00 - 00:00:33:02

Finola Burke

I'm just going to kick off. Alex, could you give us an update, please, on your progress with approvals and financing and remind us what needs to happen to get to that final decision?

00:00:34:05 - 00:01:00:15

Alex Underwood

Yeah. So the Empire team's working night and day at the moment to move us towards an FID in the next couple of months. We are negotiating gas sales agreements. We have launched the vast majority of our regulatory approval documents. We are working on various financing structures which as mentioned previously are really focused on minimising dilution to our shareholders and maximising value to them.

00:01:01:10 - 00:01:14:00

Alex Underwood

And, you know, the way things are going, we anticipate being in the field later this year installing all of the surface facilities, drilling another fracs horizontal well, and hopefully being in production early next year.

00:01:14:22 - 00:01:43:22

Andrew Williams

Okay. From that then, Alex, it seems to keep you right on target with as you presented at the recent Australian Domestic Gas Outlook Conference targeting first half of next year, full

production. I guess the real key things, getting gas to surfaces is one bit, but where are you in terms of the infrastructure, in terms of the processing plant and maybe sort of the secondary phase discussions with APA on pipeline?

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Alex Underwood

Yes. So we are very fortunate for this pilot phase of development that the pipeline runs right through our tenement and it's only a couple of kilometres away from our well pads, which is going to substantially reduce the cost of getting the first gas. We have transported the gas processing facility from Camden on Sydney's outskirts up to Queensland, and the remedial works are ongoing.

00:02:08:13 - 00:02:33:18

Alex Underwood

So that involves refurbishing the compressor engines and we will be installing that gas processing facility later this year. The pilot project is a very exciting phase for us because, you know, I think the first molecule of gas that's ever sold out of the Beetaloo is going to be by far the most important molecule ever sold. And I'm highly confident that that molecule is going to be sold by Empire Energy.

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Alex Underwood

But ultimately, the pilot is really about maturing the resource demonstrating type curves, and that will facilitate investment in much larger volumes of gas to get gas into the badly undersupplied East Coast market and ultimately LNG. And so we've been working quite closely with APA and other key players in the basin around what that would look like. And those discussions are really going quite well.

00:03:08:02 - 00:03:33:13

Alex Underwood

I think we're really looking like this basin is going to be a very prolific producer and I think we're only a few short years away from building bigger pipelines to get into Australia's east coast. I think another key development at the moment is that there is so little gas in the Northern Territory market that the northern gas pipeline is actually shut right now to keep gas in the NT.

00:03:34:04 - 00:03:54:13

Alex Underwood

So there's already a 100 terajoule a day pipeline connecting us to the East Coast. That's not moving gas. So that that may actually facilitate another interim step before the construction of larger pipelines where we'll be able to kick up as a basin productivity into the East Coast.

00:03:56:00 - 00:04:34:06

Andrew Williams

I notice the while certainly the recent AEMO Gas Statement of Opportunities documents been released and so there were parts that just, you know, I would add a little bit I guess some of it changing around but highlighting that that perhaps the shortfall and the supply squeeze is going to happen a lot quicker. And as we discussed a little bit earlier, that the AFR today (April 5) is mentioned and I don't know whether it's a bit of rhetoric saying Victoria could be in trouble in this current winter needing Queensland and Northern Territory gas.

00:04:34:06 - 00:04:54:07

Andrew Williams

Certainly Northern Territory gas for the longer term, but I guess anything within that, within that document and I guess statement of opportunities that sort of changes the way your you're having your thinking about where you go and how quickly you might actually be able to get into the Eastern market.

00:04:55:23 - 00:05:17:13

Alex Underwood

Yeah, I mean I wonder if I should change the name from the Gas Statement of Opportunities to the Gas Statement of Problems because I just find it unbelievable that we are so blessed with natural resources in this country, including gas, and yet we can't get enough gas into the demand centres. You know, you just mentioned the AFR article this morning.

00:05:18:06 - 00:05:41:18

Alex Underwood

You know, Victoria is facing critical shortfalls in July and August of this year, and it's already April. You know, I often I feel like it's Groundhog Day when we talk about gas shortfalls coming on the East Coast. But it's gone beyond warnings. I mean, I'm of the view that it's looking more likely than not that we're going to have blackouts across this country.

00:05:41:18 - 00:06:07:04

Alex Underwood

I mean, it's getting crazy. So, you know, the article in the AFR this morning actually said that in order for the gas to keep flowing in Victoria this winter, we're going to need gas supply from Queensland and the Northern Territory. Well, you can hear it here from me. It's not going to be coming from the Northern Territory because the pipeline is shut.

00:06:07:04 - 00:06:29:05

Alex Underwood

So, you know, we've just as a country, we've just got to get on with it now. You know, it's really getting crazy. I mean, you know, gas is such a critical feedstock for everything we rely on in our modern daily lives. We've got so much gas in this country. We've got to stop talking about importing LNG. I think that's just complete madness.

00:06:29:18 - 00:07:16:22

Alex Underwood

It's economic madness, it's environmental madness. And fundamentally, it's exporting out our own wealth offshore. When you look in the years ahead, you know, the Gippsland Basin is in its twilight years. The coal seam methane fields of Queensland have been really an incredible blessing in terms of saving us from the lights going out. But, you know, those investments were made built on LNG export and it's really uncontracted gas from those fields that is keeping the supply going on Australia's east coast, that the coal seam methane fields do have more to give and it's awesome seeing particularly some of the smaller and medium sized companies really leaning in and doing their bit to keep supply to the domestic market.

00:07:16:22 - 00:07:36:18

Alex Underwood

But those fields aren't going to last forever. I mean, the best parts of those fields for the most part have been drilled out or are being drilled out soon and where else is the gas going to come from? It's we've got the Beetaloo, one of the world's largest gas deposits in Australia. Let's get on with it.

00:07:36:18 - 00:07:59:10

Alex Underwood

Let's get the gas flowing. We've got existing pipeline connections into the east coast. We've got major players looking to increase that capacity. Let's give Australians affordable gas, affordable energy, a critical supporting energy source for the rapid transition we're going through to renewables and it's time to get on with it.

00:08:00:18 - 00:08:17:14

Andrew Williams

So Alex, a little while ago, but we've been having these discussions you had mentioned in terms of contracting or in terms of inquiries about gas. You were then and noting that you were fielding inquiries from as far south as Victoria.

00:08:19:22 - 00:08:45:22

Andrew Williams

Do you think that that's industry giving the head of what's been pretty obvious, or do you expect that now with the light bulb moment coming out of the gas statement of problems that we might actually you might actually see a bit more interest coming from southern areas? And I'm not going to talk about Victoria, but also maybe even into Adelaide or South Australia.

00:08:47:08 - 00:09:16:11

Alex Underwood

Yeah, I mean, as I've mentioned before, we have we have received a very positive response to our initial sounding process on marketing gas. As a company our strategy for phase one is to really look after the NT market. I mean this is Northern Territory gas. The Northern Territory desperately needs that gas and we think it's a critical part of our social contract with the people of the Northern Territory to make sure that that they have security of supply first.

00:09:16:11 - 00:09:44:09

Alex Underwood

I mean, Darwin is powered by two gas fired power stations. They don't have coal-fired power stations, They don't have renewables and batteries. You know, they need gas and they need to be looked after because, you know, it's their land that we're operating on. But certainly in these next phases of development and, you know, we've done a lot of forecasting work as have a number of the big players around the shortfalls that are coming on the east coast.

00:09:44:09 - 00:10:02:11

Alex Underwood

And, you know, as soon as we get this pilot up and running and we get some longer-term pipeline plans in place, that's going to allow us and our neighbours in the basin to book substantial 2P reserves, substantial 2P reserves will allow large customers of gas on Australia's east coast to contract with us and our neighbours.

00:10:03:00 - 00:10:11:01

Alex Underwood

And then ultimately that's what gets the pipelines in place. So, you know, we're going to do our bit for Australia, but, but we've got to do our bit for the NT first.

00:10:12:06 - 00:10:43:06

Andrew Williams

And just recently there's been coming out of other operators in the basin. Some pretty encouraging testing results and I know where Carpentaria is in relation to where the current activity is, is, is distant and you're in a shallow part of the basin but is there any broad positive look-through I mean the more wells if you get into an area, the better the database is and, the stronger your confidence is going to be.

00:10:43:12 - 00:10:50:01

Andrew Williams

But do you read anything specifically to them on a sort of a sort of a look-through basis?

00:10:51:02 - 00:11:17:24

Alex Underwood

Absolutely, as you know, as we've discussed before, I spent ten years at Macquarie and a lot of the business we did was in the US shale basins and particularly in the early years, every single shale basin in the world has gone through a demonstrated learning curve where productivity grows and grows and grows with more activity. And it's because you're learning how to fracture the rocks, how to complete the wells, what type of frac fluids to use and so on and so forth.

00:11:18:18 - 00:11:41:19

Alex Underwood

On our first couple of wells, cut horizontal Wells, Carpentaria 2H and Carpentaria 3H. Yeah, we were thrilled with those results at such an early stage, highly experimental design. We trialled lots of different fluids, systems, preparation strategies. We used four-and-a-half inch pipe versus five-and-a-half inch pipe in this new well. In this new well, I'd go beyond calling it encouraging.

00:11:41:19 - 00:12:03:19

Alex Underwood

I'm completely blown away by the result that Tamboran and Brian Sheffield and his team have achieved with this well. So this was the first well in the basin that was completed in five-and-a-half inch pipe and was also a slick water design. We have trialled a few slick water stages in our initial wells and got really good results from those.

00:12:03:19 - 00:12:27:07

Alex Underwood

But this is the first proper slick water design test in the basin and the well is an absolute barnstormer it's done, I think it was six and a half million cubic feet per day per thousand meters IP30 and then the IP60 came out the other day and the rate of decline is, is negligible. It's, it's hardly declining, which is just unbelievable.

00:12:27:07 - 00:12:58:17

Alex Underwood

I mean, are so few wells drilled in this basin to be getting results like that. You know, first of all, it's a massive credit to their joint venture. But also I think it's really demonstrating that this is going to be one of the world's best and most prolific gas basins. This is absolutely will impact our design plans on our next well and I foresee the opportunity for a significant uplift in productivity from already, you know, really good results for us.

00:12:59:22 - 00:13:18:24

Alex Underwood

So, you know, there's a lot of work we need to do around that. But amazing results. And I must say, you know, I'm over in the States quite regularly and when I speak to people in the States about those results, they're blown away. It's just a fantastic result. And it is going to have very positive implications for us.

00:13:20:03 - 00:13:29:02

Finola Burke

Now, at a corporate level, Sheffield Resource has moved to a substantial position in Empire Energy Group. How should the market read this?

00:13:30:05 - 00:13:54:12

Alex Underwood

Well, I mean, Brian Sheffield is one of the most sophisticated shale gas investors in the world. He founded Parsley Energy, which was focused on the Permian Basin in West Texas and created billions of dollars of value for his shareholders. You know, Brian, just in the last couple of years has made substantial investments across the Beetaloo Basin.

00:13:54:12 - 00:14:22:02

Alex Underwood

So he's invested in the last couple of cap rises we've done. He has invested directly at the asset level as part of the acquisition of Origin Energy's interests. He's also a major investor in Tamboran and Falcon and I must say I was delighted when we received the notice of an initial substantial shareholding because, you know, Brian's bought those shares on market.

00:14:22:17 - 00:14:45:09

Alex Underwood

I think it's a tremendous endorsement of, you know, first of all the asset, but also the incredibly hard work that everybody now takes doing. And, you know, as I was saying in



another interview the other day, you know, I think shale gas is very new for Aussie investors. But, you know, if you if you follow the money, I think you can you can do pretty well on this.

00:14:45:09 - 00:14:57:06

Alex Underwood

I mean Brian really understands this basin and its potential. And yeah, we were we were very honoured that he further increased his investment in our company through on market buying of the stock.

00:14:58:12 - 00:15:06:08

Finola Burke

Well thank you Alex for joining Andy and me today. Looking forward to catch up with you over the course of the next 12 months to check on Empire Energy's progress.

00:15:07:03 - 00:15:07:17

Alex Underwood

Thank you.

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