



Thursday, June 19, 2008

Scouring the World for Wealth-Enhancing Opportunities

**** We finally heard from Archie Bayvel, our affiliate in Australia.** Archie has stumbled upon what is being called the “greatest land grab since the Victorian [Australian] gold rush of the mid 1800s.”

Here's his report:

*If you thought the gold rush days are times of the past, think again! The only difference now is it's a **gas rush** as major liquefied natural gas (LNG) companies scramble to get in on the new coal seam methane industry in Australia's northeastern state of Queensland.*

Traditionally, LNG comes from oil fields in areas such as Western Australia's North West Shelf. Companies simply drill down until they find natural gas deposits. But natural gas is also found in crevices of coal. This type of gas is called coal seam methane gas.

Coal seam gas has long been ignored as a source of LNG because it is much more difficult to extract than drilling in oil fields. That's because the gas is trapped deep underground in high-pressure coal seams. A random blow of a miner's pick could easily set off a catastrophic blowout followed by a huge blast of fire.

Thanks to new technology, extracting the methane gas trapped in the seams is now easier to do. After generations of being thought of as a foul-smelling dangerous by-product, methane is now entering a new era where, financially at least, everything about it is coming up smelling like roses.

Australia has already seen billions of dollars' worth of coal seam gas projects come on line. Coal seam projects have attracted \$4.15 billion of done deals this year, most of them in the past few weeks.

The hunt for coal seam methane gas has sparked a scramble for property that one Australian news commentator described as the “biggest land grab since the Victorian [Australian] gold rush of the mid 1800s.”

This mad dash for coal seam gas puts the mini-city of Gladstone as the world's most exciting virgin territory for the LNG czars. Despite its distance from mainstream Australia, indeed from anywhere, Gladstone is the world's biggest coal port and the gateway to energy resources estimated to last for hundreds of years.

Just last week the world's leading LNG player, Royal Dutch Shell, joined the rush of global players to establish a beachhead in the area with a \$776 million investment in energy tiddler Arrow Energy Limited.

Of that, \$644 million was for Arrow's upstream assets and the other \$132 million goes to a 10 percent interest in Arrow's Asian assets, which mostly consist of its existing sales contracts, and prospects in India, Vietnam and China.

This deal comes on the heels of a \$2.5 billion deal Santos struck only a few days earlier with Petronas of Indonesia and, prior to that, a failed attempt by BG Group to take over Origin Energy for \$13.6 billion.

Arrow's original partner in the coal seam gas hurly-burly is Liquefied Natural Gas Ltd, a company based in Perth, Western Australia, which is thousands of miles away, on the other side of Australia, from the Gladstone action.

Its founder, Maurice Brand, put the situation's ultimate relevance in a nutshell when he pointed out that the Shell deal brings a great deal of certainty to the partners' target of shipping an initial 1.3 million metric tons of LNG a year out of Gladstone, beginning in 2011 and rising to 6 million metric tons within a few years.

The upshot is that major oil and gas players are scurrying to get a piece of the action. Right now, the Queensland Mines Department is contemplating an imminent auction of new leases within the next few weeks.

The frenzy over coal seam methane is about to turn a lot of central Queensland and particularly Gladstone (already a mecca for professionals and skilled tradesmen seeking and finding fortunes) into an adventure destination for skilled individuals able to negotiate Australia's temperamental visa regulations.

As for the longevity of the energy rush, there seems no likely end to it, as the world, particularly the raging economies of Asia, needs LNG. Shell CEO Jeroen van der Veer in Malaysia last week personally endorsed the huge potential of Australian coal seam methane.

Last week's Shell deal means that three experienced LNG operators including Shell-Arrow, Petronas-Santos, and BG Group are now committed to massive investment in Gladstone and competing to export coal seam methane to Asia.

We always enjoy reading Archie's reports. He finds the most interesting stories. Right now he's scouting out an opportunity in the Outback of Australia. Archie tell us he's

“looking at the drought and the new land-for-sale scenario that is popping up and will report back soon.”

That’s it for this week’s edition of *Taipan Insider*. I’ll have more for you next week. Until then, here’s to a world of opportunities.

Sincerely,

A handwritten signature in cursive script, appearing to read "Sandy Franks".

Sandy Franks
Executive Publisher
Taipan Publishing Group