

APPEA: From Little Things Big Things Grow

Journalist and industry historian Rick Wilkinson undertook the extensive task of documenting the history of APPEA to commemorate the 50th anniversary conference of Australia's peak national petroleum body, tracking its history from its inception as a minor lobby group representing the interests of smaller explorers intent on proving the existence of oil in Australia to its evolution as the encompassing body overseeing the phenomenal growth of the industry that has seen Australia take its place among the leading petroleum producers in the world.

The result is 'Knights, Knaves and Dragons: 50 years inside APPEA and Australia's oil and gas politics'. Wilkinson has drawn on his own considerable experience reporting on the Australian oil and gas industry, incorporating firsthand accounts of past and present industry figures, in putting together the book to be released at this year's APPEA Conference.

Wilkinson, who worked as a geologist before following his passion for writing and pursuing a career in journalism, has a long-standing interest in the history of the Australian oil and gas industry, having written a number of historical accounts. As he described it, returning to Australia in 1979 after several years working as a journalist in London his knowledge of the local petroleum industry was relatively lacking and he was seeking to fill in the gaps.

"When I came back to Australia I didn't really know much because I had been writing about the industry in the UK and overseas, so I didn't really know much history of the Australian industry", he recalled. "So, I was digging around and I thought while I've got all this stuff I may as well put it together into a book, and that was the reason for the first one and that was basically a story of the industry entire."

A number of books focused on the origins

and evolution of the Australian petroleum industry have followed. In putting together 'Knights, Knaves and Dragons', Wilkinson was able to draw on his own personal archive of conversations and interviews with some of the key figures in Australian petroleum stretching back to the early '80s, many of which he describes not so much as interviews as 'yarns'.

"As I said in the acknowledgement for this new book, I actually kept the bloody notes, so it's stuff I hadn't used and some bits and pieces I had I was able to go back to because of, well, there is only one original councillor left now, and some of the others had gone as well, so I was able to use the quotes from way back."

Wilkinson 'knew a little about APPEA anyway'. He noted APEA (originally the Australian Petroleum Exploration Association, APPEA changed its name to the Australian Petroleum Production and Exploration Association in 1995) had previously produced a book in 1988, 'their contribution to the bicentennial year', 'Petroleum: the first century'.

"I had a fair inkling on what it was all about. The early history is the easiest and when you get up to the more recent things it becomes a bit harder ... that is why the last chapter in this new one is quite hard, because some of the issues are still live and they could change tomorrow, so you have to be a bit careful what you say because you could get it wrong."

Looking at the timeline of Australian petroleum production, Wilkinson pointed out, while Australia is now a noted producer of oil and gas, it was not long ago that it was reliant on international sources of supply. There was, however, a great deal of momentum behind the push for Australian energy self-sufficiency.

"There were all sorts of incentives and so on way back in Billy Hughes' [Australian Prime Minister, 1915–1923] time, way back in the



Rick Wilkinson

First World War and in between. So, there really was a feeling that we should find oil for Australia. I mean obviously they wanted it for their companies, obviously they wanted it to their own credit as well, but the feeling was we shouldn't stuff around and we should find indigenous oil fields."

Wilkinson characterises the seminal figures of the Australian petroleum industry as 'gung-ho patriots' who 'did not stuff around with rules'. A towering figure in Australian petroleum history, one of the driving forces behind the establishment of APEA and perhaps the archetypal Australian oil man, was Reg Sprigg.

Sprigg, who helped set up South Australian oil and gas company Santos and founded Beach Petroleum, was instrumental in the discovery of oil in the South Australian Cooper Basin. He was the founding chairman of APEA (1959–65) and a councillor until 1982.

Wilkinson described Sprigg as 'not just an oil man'.

"He was everything. He has been referred to as just a quintessential geoscientist, but he also was a botanist, zoologist, he knew about astrology ... He was the orator. He could talk under wet cement. He was fantastic on any subject ..."

"The two main guys who got together were Rees Withers and John Fuller [APEA founding councillors], and they needed a front-man and they knew Sprigg was obviously interested. He was so busy, he was all over the place, but they needed his powers of oratory and leadership. So they got him involved. The other originals—Bill Siller, Lou Smart, Eric Avery and Alan Prince—also joined the push."

APEA was formed partly in reaction to the view that Australian geology was unsuited to oil accumulations; the international oil companies had the ear of government, assuring them a steady supply of oil from their overseas portfolios.

"It's funny, but patriotism is sort of an old fashioned word now. But these guys were: they wanted to find oil for Australia", Wilkinson said. "The little guys were a bit pissed off with the prevailing attitude because they said, 'well, look, it is crazy to say there's no oil in Australia; we've got sedimentary basins, we haven't got seeps maybe ... but we believe that we can find oil ...'

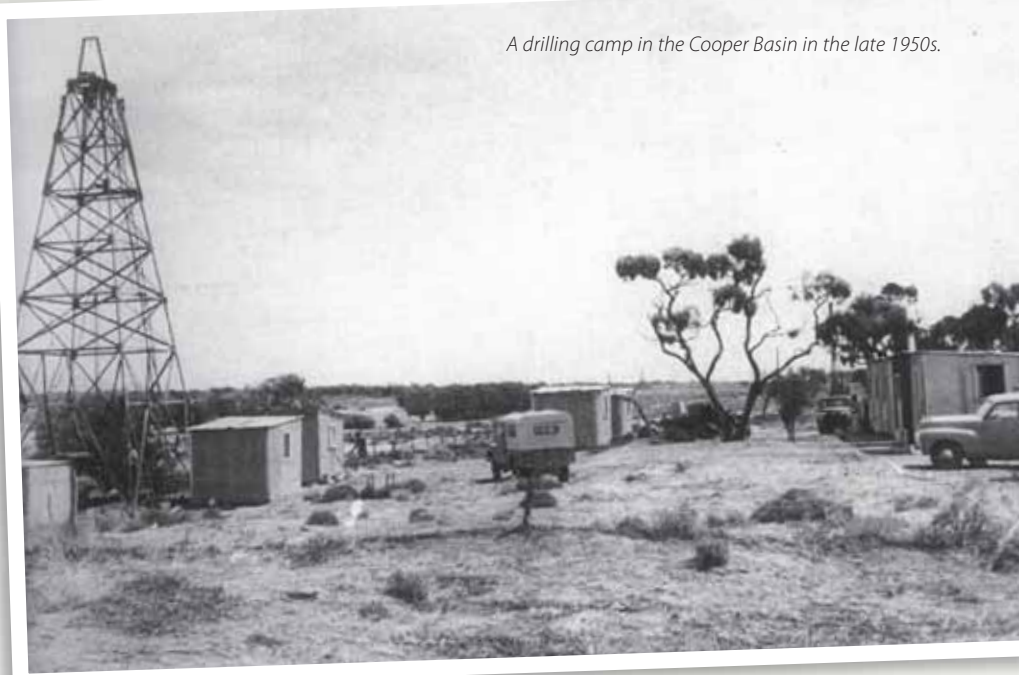
"Initially the small guys didn't want anything to do with the big guys. They wouldn't let them in. The membership was exclusively small for a couple of years at least. The government then said you're not representative. We are not going to take any notice of your ranting and raving."

Wilkinson said the organisation was 'a bit ill disciplined' in its early days.

"Because these guys were such strong characters individually they tended to also put their own wants first and it was a bit uncoordinated. So, it was a bit of a rabble at the beginning. To put it nicely, it was a bit amateur.

"After awhile they realised they would have to form a joint venture with the foreigners. Initially they were not just anti-the-majors, but some of the independents as well weren't allowed in until after the first conference [1961]."

The Esso/BHP joint venture's discovery of gas in the Bass Strait in 1965 and the subsequent discovery of the Kingfish and Halibut oil fields in 1967 put Australia on the petroleum map, however this proved something of a double-edged sword for the fledgling lobby group.



A drilling camp in the Cooper Basin in the late 1950s.



Drilling in the Cooper Basin in the late 1950s.

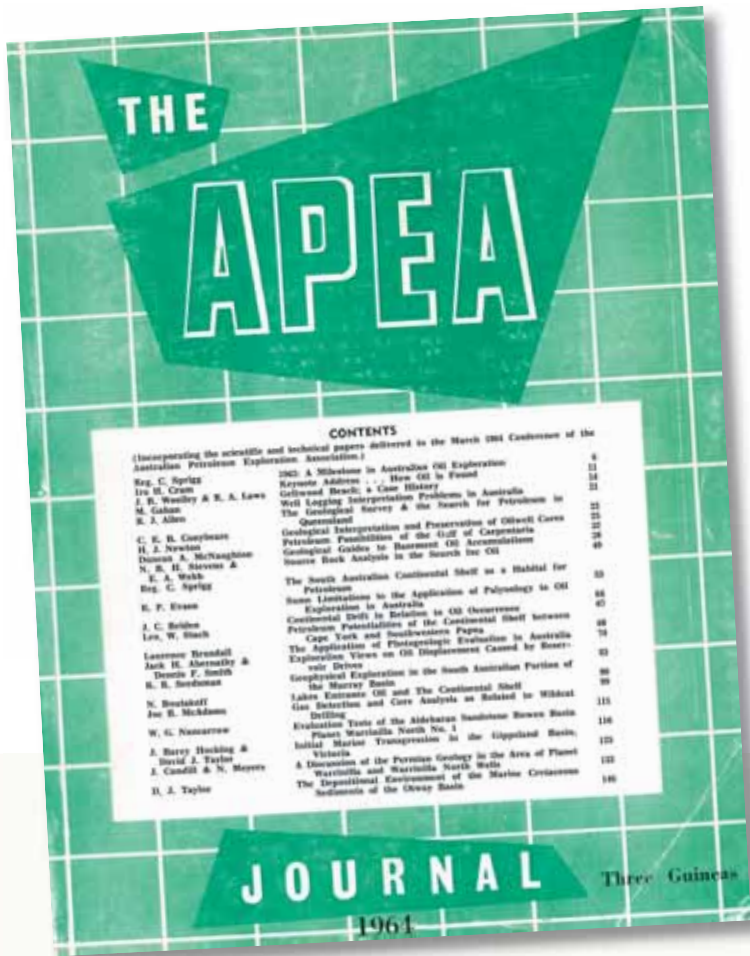
"Esso/BHP was such a powerful group because they had the whole lot, and they tended to go to Canberra on their own", Wilkinson said. "That's when the rivalries resurfaced, for the first or second time if you like, and there was a time there where it got a bit tense and probably what saved them was the change of government into the Whitlam era."

Rex Connor, the nationalistic Minister for Minerals and Energy, was set on developing a state-run mining and energy sector; among other initiatives, he sought to run a gas pipeline

from the North West Shelf to the southeast of Australia.

"So, that brought them back together again", Wilkinson observed. "It almost decimated the industry because nobody was exploring, because they weren't going to get anything for the oil or the gas. The North West Shelf was put on hold for three or four years while he was in power because they wanted to export LNG ... but he wouldn't let them."

Pricing proved another matter of contention for



The APEA Journal from 1964.

the government and industry of the era, with the 1972/73 OPEC oil crisis bringing the issue into sharp focus. After the Bass Strait discoveries, and with apparent domestic and international price stability, bipartisan political wisdom determined that oil should be set at a fixed price.

The Liberal Party, under the prime ministership of John Gorton, set oil at a fixed price over a five-year period, 1970–1975; the Gough Whitlam-led Labor Government inherited the policy upon taking office in 1972, and, when the OPEC oil crisis forced prices up, refused to revisit it.

“Price was an issue all through the ‘70s, because when Fraser [Malcolm Fraser, Australian Prime Minister, 1975–1983], got in he said, ‘okay, we should change this,’ but then they brought in an import parity pricing which got awfully complicated”, Wilkinson said. “The pricing system was crazy right through until the early ‘80s.”

The Bob Hawke-led Labor Government, which came to power in 1983, overhauled

and deregulated the system, however invoked the ire of industry with the introduction of a ‘resource rent tax’ (RRT).

“The whole of the ‘80s was taken up by arguing against these taxes”, Wilkinson said. “It is not good for the industries, it’s taking money out of what we could put in the ground”—that went on for pretty much all of the ‘80s. RRT came in eventually and APEA didn’t win the battle, but the association did succeed in having it modified in the early ‘90s.”

Of the other major issues that APPEA has confronted throughout its existence, Wilkinson listed safety, the environment and land rights as being among the most important and at times contentious, noting they are also issues that continue to evolve.

He said safety-related issues in particular have taken on an increasing significance. The Piper Alpha disaster, in which 167 men were killed in a fire on the North Sea rig in 1988, prompted industry the world over to place an increased emphasis on safer working environments and practices.

REVIEW

How national markets fared

OIL IS BUSY

Despite the absence of further news from either Barrow Island or the Altona No. 1 well, oil shares again met with heavy buying pressure on national share markets yesterday.

In Sydney yesterday, with little news to guide investors, hectic buying of oil shares continued. Ampol Exploration was the most sought after share, while AOG, Exoll and Planet were also in demand.

The Queensland Oil Index (the only indicator of the state of the oil market) showed that average prices rose by about 1¼ per cent.

Total disclosed dealings in oils rose from Monday's 74,000 to 137,800 — the highest figure for over a week.

Ampol Exp made a net advance of 7d to 20/6 on turnover of 18,100 shares, 6000 more than the previous day.

AOG closed 1/- higher at 41/6 after touching 41/9.

In Melbourne, barriers commanded the most attention yesterday, but industrial shares were stronger.

Barriers were busy

B. H. South was traded heavily and rose 1/- to 24/- and the new shares 1/- to 23/6.

North BH opened at 44/- but eased to close the day 3d higher at 44/-. New BH added a 1/-.

The 50 leaders index was up from 120.43 to 120.61. Oil shares continued busy. AA Oil rose 4d to 20/1.

AAO rose 6d to 41/6. Minor oil stocks traded well and all added a few pence.

Leaders to rise were Minister 2/- to 96/6, Bank of NSW 1/- to 63/-, B. Philip 1/- to £5/14/-, CIG 6d to £5/4/-, and Swan Brewery 9d to 30/-.

In Adelaide oil stocks dominated trading despite a firmer trend for investments.

Santos made the day's best gain when it closed 2/- higher at 29/9 with 6100 shares traded.

Ampol Exploration netted a gain of 5d to close at 20/5 after selling up to a peak of 21/-.

AOG rose another 9d to 41/-.

AA Oil, which has been quiet during recent heavy trading for oil shares, lifted 1/6 to 20/-.

Beach was the most sought after stock with 6500 shares changing hands. They closed at 4/1 — a rise of 2d.

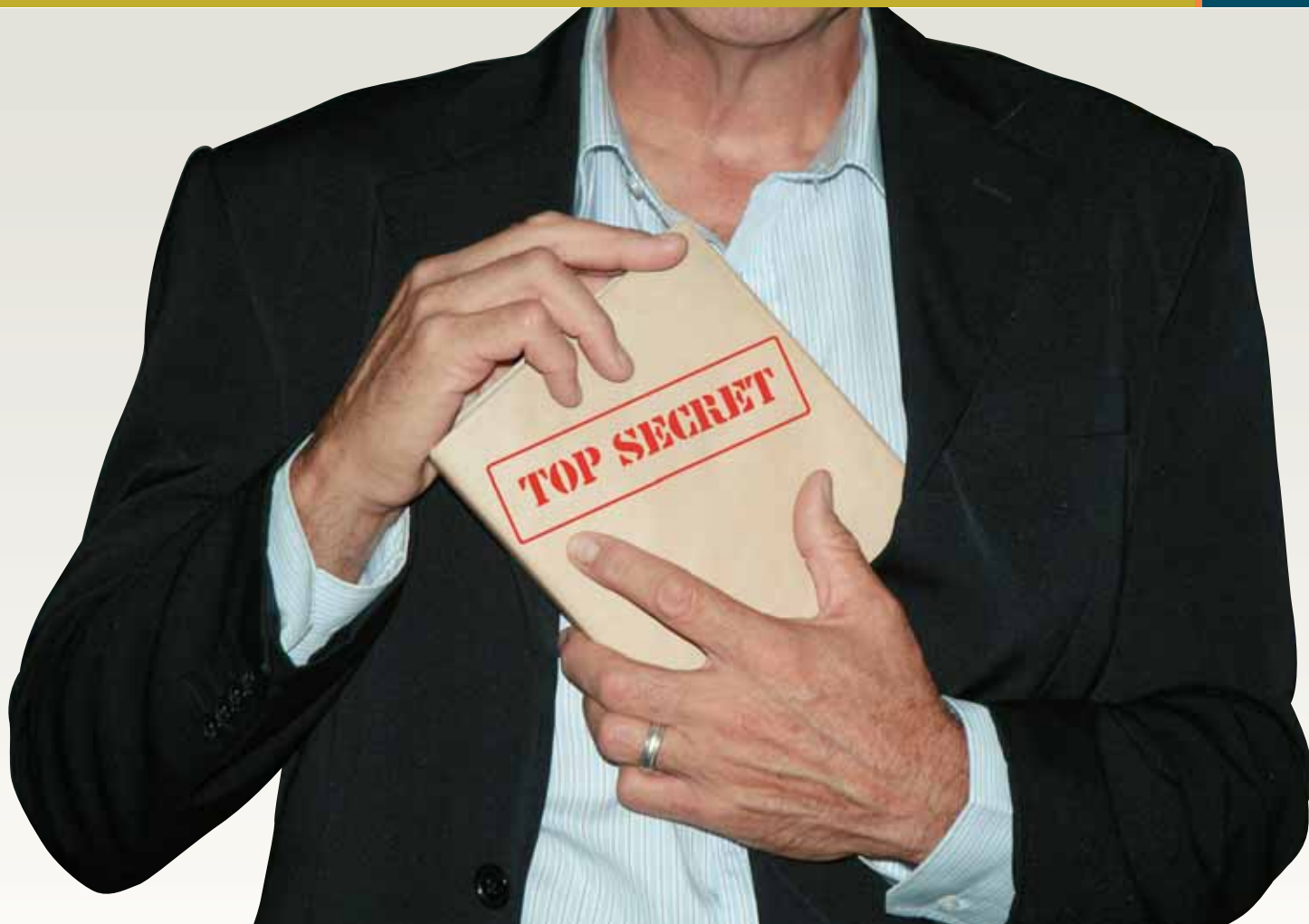
In Brisbane yesterday oil shares were again heavily traded, sending the Queensland oil index 3 points higher to 202.36.

AOG gained 1/- to 41/9, Santos 1/- to 28/6, Ampol Exploration 7d to 20/6, Associated Oil 4d to 19/10, Associated Freney 3d to 7/3 and ACP 3d to 1/11.

Planet, which is drilling at Warrong, in the Bowen Basin, Queensland, shot up 1/1 to 3/3 before reacting to 2/11. Magellan, a partner in the East Merceine well, rose 6d to a peak 8/9.

CSR rose 9d to 84/- and Fairymead 6d to 58/6.

Reproduced from The Australian newspaper, Wednesday 15 July 1964.



Under wraps: 'Knights, Knaves and Dragons' will be released at the APPEA Conference.

"Safety issues became paramount", he said. "Lord Cullen in England did a report for the British Government and that went around the world, and everybody then, all the other governments, said right this is what we've got to do, so they started having these big safety audits."

While industry initially clashed with government over what it believed was over-regulation, APPEA now works more closely with government agencies such as NOPSAs (the National Offshore Petroleum Safety Authority) in promoting safe work practices.

Wilkinson noted there is now generally a greater spirit of cooperation between government and industry.

"I suppose the more recent stuff is interesting, in as much that APPEA works more with the department now than it used to, it's not opposition any more as such", he said. "There are committees of government and industry people looking at issues ... so, in other words they are asking industry views before they say we're going to do it this way."

The APPEA secretariat moved from Sydney to Canberra in 1994, further facilitating interaction with government.

"Originally, when they were in Sydney they had to make special trips", Wilkinson said. "Now they can just sort of wander down the road and walk the corridors of power anyway ... now the government often comes to see APPEA."

It was around the same time the organisation's logo was changed.

"The original logo was changed in 1994/5 and that was when the second 'P' was added as well. They just realised that the engineers [and] production guys should be recognised as being part of it. They didn't want to lose the phonetics and somebody came up with APPEA, but some people were purists—you can't have production before exploration, you can't do that!"

While Wilkinson said he did not uncover anything out of the ordinary in putting together 'Knights, Knaves and Dragons', there were a few points of interest that arose, including controversy over the proposed drilling of the Great Barrier Reef.

"There was a big issue in the '70s about drilling on the Barrier Reef", he said. "There was a big royal commission about that. I had

heard about it, but hadn't really gone into it much ... The industry was of the opinion that you could drill safely on the reef, not right on it but you could drill under it. The environmentalists won that one and so did the government. It became a marine park, but there was a royal commission before it was decided. So that surprised me a bit."

He also noted the continued tension between the larger and smaller companies, which has been a recurring theme throughout the history of APPEA.

"I think I was surprised that there was still the breakaway side of things going on even in the '90s, small company big company stuff ... I knew about in the '60s and '70s, and even in the '80s earlier on, but the fact [was] that it was still quite a strong movement in the early '90s."

Wilkinson said he expects APPEA will continue to evolve with the changing energy landscape.

"They absorbed originally the coal seam people—they like to call it coal seam gas now just because originally there was a coal seam methane association—probably about five or six years ago, and APPEA stepped



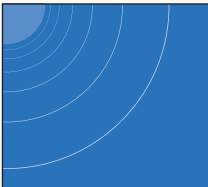
Worker safety has become an increasingly important issue for the petroleum industry.


in very quickly and said well we'll take this because it's a gas industry ... really, it's our jurisdiction. So, that's something that they have absorbed very quickly and I think the same will go with hydrogen, they'll work that in."

As for the book title, he doesn't give much away.

"Actually, for most of my books I have got a story but that one I just liked! It just came into my head. I actually started it as a chapter heading for the '70s and I thought, 'nah bugger it!' And it just came into my head; it was sort of a medieval type thing, there were people who were real patriots and they'd go out and fight for the industry, there were sort of rogues who would push at the edges of the rules, and then there were the ones anti this and anti that and they were real buggers. I purposely didn't identify anyone!

"The book cover is covered with small postage stamp photos of just about everyone I could think of in the industry ... politicians and industry people. So, that's the talking point of the book, who's the knave and who's not?" ■





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