

U-Gas News Report

Unconventional Gas Activities in the World

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COALBED METHANE & COAL SEAM GAS

EXPLORATION - DISCOVERIES

INDIA : Ministry offers ten blocks under CBM-IV round. — UG28-1

Ministry of Petroleum & Natural Gas recently launched the Eighth round of New Exploration Licensing Policy (NELP-VIII) and Fourth round of Coal Bed Methane (CBM-IV) Policy offering 70 blocks under NELP-VIII and 10 blocks under CBM -IV. CBM -IV round offers 10 CBM blocks covering an area of about 5,000 sq. km. These CBM blocks fall in the States of Assam, part Chhattisgarh & part Madhya Pradesh, Jharkhand, Madhya Pradesh, Maharashtra, Orissa and Tamil Nadu. A

dedicated website on NELP-VIII and CBM-IV containing relevant information has been launched. (Ministry of Petroleum & Natural Gas press release, April 9, 2009)

The online data would be hosted on the website shortly. Connectivity is also being provided through the website of the Ministry of Petroleum & Natural Gas and Directorate General of Hydrocarbons. The details can be seen at the following web sites:

http://www.indianelpviii.com/Images/NIO_CBM_IV-Zoom_Final.jpg
<http://www.indianelpviii.com>
<http://www.petroleum.nic.in>
<http://www.dghindia.org>

INDIA : PROCEEDINGS OF INTERNATIONAL CONFERENCE ON ENERGY AND ENVIRONMENT MARCH 19-21, 2009 ISSN: 2070-3740

Coalbed Methane: a Source of Environmental Friendly Energy

H. Singh and A. K. Singh

H. Singh and A. K. Singh are Scientists, Central Institute of Mining and Fuel Research, Dhanbad, Jharkhand This paper discusses about CBM resource potential and development in India, methane emission to the atmosphere from coal mining activities and its utilization.

The document can be downloaded at: <http://www.waset.org/pwaset/v39/3393.pdf>

INDONESIA : CBM Asia receives approval for its initial CBM drilling program in Kutai West. — UG28-2

CBM Asia Development Corp. announced recently that it has received approval for its initial drilling program on the Kutai West Production Sharing Contract. Al Charuk, president of CBM Asia, describes our initial work program, "We are sourcing service companies and expect to announce our first spud date as soon as the bid process is completed by BP MIGAS. This

process could take several weeks.” On November 13th, 2008, CBM Asia, as a member of the consortium of Newton Energy and Kutai West CBM, signed a production sharing contract with the Government of Indonesia to explore, develop and exploit CBM potential in the Kutai Basin of East Kalimantan, Indonesia. (Marketwire, April 21, 2009)

PRODUCTION

CHINA : Far East Energy Corporation achieves critical desorption pressure in a portion of the iH Pilot Area in its Shouyang Block in Shanxi Province. — UG28-3

Far East Energy Corporation announced recently that it has achieved critical desorption pressure (CDP) in a portion of the iH Pilot Area in its Shouyang Block in Shanxi Province, China. Production for the iH area is now over 200,000 cubic feet per day. Far East believes that the quantity of gas being produced in the field is sufficient to begin discussions with its Chinese partner, China United Coalbed Methane Company (CUCBM), regarding a gas marketing agreement that would allow Far East to jointly market its gas with CUCBM through a gas sales facility. Far East believes that any initial gas sales facility would initially be a compressed natural gas facility and would likely have a capacity of 1 to 3 million cubic feet per day. Two wells in the iH Pilot Area are currently producing over 50 Mcf per day, with a third well producing approximately 40 Mcf per day. These three wells appear to meet the definitions for Chinese reserves qualification, provided they maintain sufficient production levels until an official

certification can be obtained. Michael R. McElwrath, CEO of Far East, said “We plan to commence three deviated wells in the iH Pilot Area within the next few weeks. These wells should increase water production and, hopefully, maximize gas production from the iH Pilot Area. Once those three wells are completed, we intend to begin expanding the spacing between subsequent wells. As the dewatered area and well spacing expand, the same high permeability that originally allowed water to flow from long distances to our wells, should begin to allow gas to flow from long distances to our wells. This should allow us to capitalize on the typical advantages of high permeability, namely, drilling fewer wells, producing more gas per well, and maintaining higher production rates for longer periods of time than in a lower permeability area, all of which should result in superior economics”. (Far East Energy press release, April 8, 2009)

UNITED STATES : GST-WellDog publishes videos of gas desorption from coal, shale and sandstone. — UG28-4

GST-WellDog announced recently that it has published video microscopy of natural gas desorption from simulated coal, shale and sandstone reservoirs on its website. The videos of the desorption process were taken on reservoirs that had been prepared in the company's unique reservoir simulation laboratory. (Marketwire, April 16, 2009)
The videos can be viewed at: <http://www.welldog.com/videos.html>

UNITED STATES : Colorado Court rules that coalbed methane producers must have water permits. — UG28-5

The Colorado Supreme Court recently ruled that coal bed methane producers must adhere to the same water rules and regulations as other state water users. At issue in the appeal was whether the state District Court, Water Division erred in not deferring to the State Engineer's determination that the removal of water from geologic formations solely to facilitate

coalbed methane mining operations is not a “beneficial use” within the State Engineer's Ground Water Act permitting authority. For years, coalbed methane producers have been allowed to pump large amounts of groundwater connected to nearby streams, as part of their extraction operations without a water right or approvals from the

State Engineer and the water courts.

(Environment News Service, April 20, 2009)

UNITED STATES : Pennsylvania DEP sets new standards for wastewater discharges to take effect by January 2011. — UG28-6

Environmental Protection acting Secretary John Hanger announced recently that new discharge standards for industrial wastewater that is high in total dissolved solids, or TDS, will take effect by January 2011. "High total dissolved solids in industrial wastewater have been a problem in the Monongahela River recently and are an impending problem on a statewide level," Hanger said. "We are establishing base standards for this water so dischargers move towards actually treating TDS in

industrial wastewater, rather than simply depending on dilution to protect water quality".

The new permitted limit for discharges of high-TDS wastewater will be 500 milligrams per liter of TDS and 250 mg/l for both chlorides and sulfates. By January 2011, all facilities accepting high-TDS wastewater for treatment must meet these discharge limits. (PRNewswire, April 15, 2009)

UNITED STATES : RG Global completes the pilot phase of its CBM discharge water processing technology. — UG28-7

RG Global, which owns CFS technology used for processing discharge water for Coal Bed Methane mining, announced recently that it has completed the Pilot Phase of its CFS technology. Its Wyoming Plant is capable of producing more than 25,000 barrels per day but this set point was the primary goal of the pilot program.

To date, a major factor that has restricted CBM mining has been the disposal or processing of the discharge water that is produced as a byproduct of the CBM gas extraction. By 2010, experts expect there to be more than 50,000 wells in Wyoming alone. Each well produces an average of 6.2 million gallons of discharge water per year. (PRNewswire, April 8, 2009)

TRANSPORTATION-DISTRIBUTION

INDIA : Great Eastern Energy commissions a new CBM pipeline to its central gathering station. — UG28-8

Great Eastern Energy Corporation Limited announced recently it has successfully commissioned its second natural gas pipeline extending 12.35 km from its Central Gathering Station in Asansol to Kulti, West Bengal. This is the company's second coal bed methane gas pipeline and will be part of a vertically integrated network consisting of drilling, production, compression transportation, and distribution services.

This 12" steel pipeline is capable of carrying one mmscmd of gas at 15 bar and will be catering to the requirements of customers in the Burnpur, Asansol, Neamatpur, and

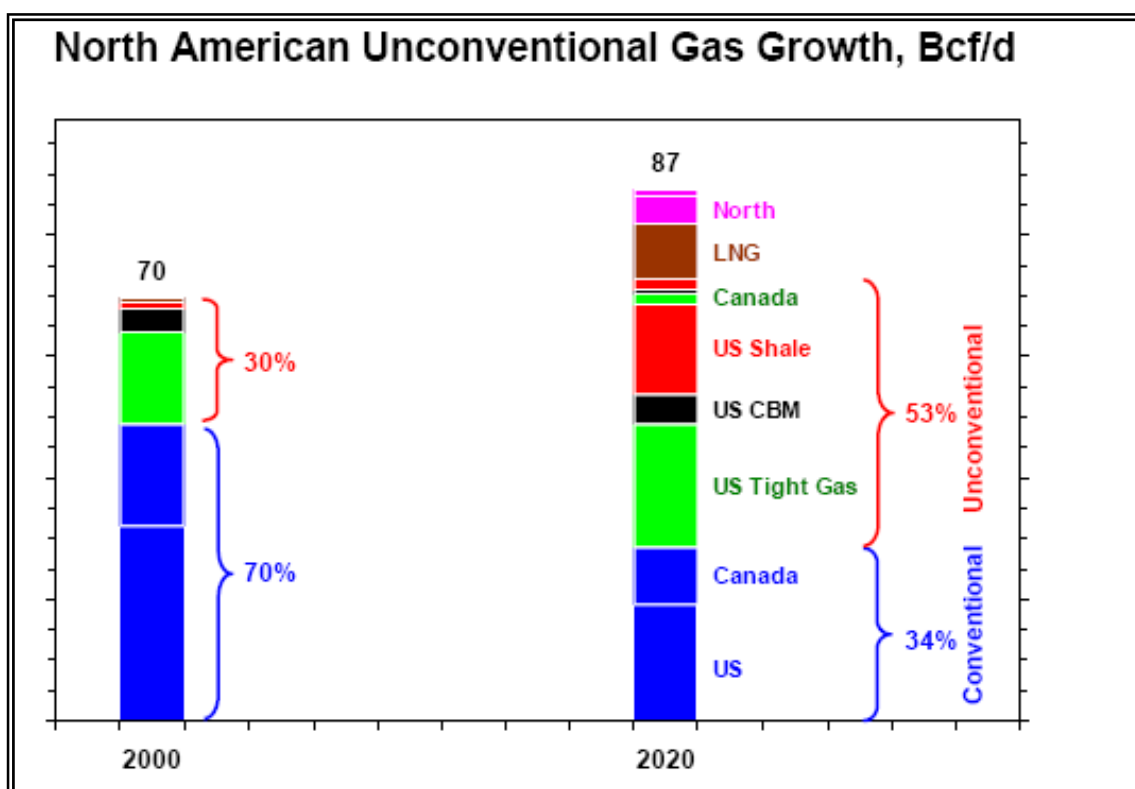
Kulti area. As of January 27, 2009, the Company had laid 31.97 km of the MDPE pipeline within its license area, connecting 22 wells to the gas gathering station. A contract for connecting the other wells has been finalized and work is expected to start within soon. The company has also laid 24.27 km of the steel pipeline, as on April 15, 2009, which connects the Central Gathering Station in Asansol to Durgapur through the towns of Nigha and Raniganj. The pipeline up to Nigha is nearing completion and partial testing of the same has commenced. (Oilvoice, April 20, 2009)

SHALE GAS

PRODUCTION

UNITED STATES : Ziff Energy forecasts U.S. shale gas production to reach 53% of gas supply by 2020. — UG28-9

Ziff Energy announced recently the release of a report which evaluates Shale Gas production to 2020 by major shale gas play. In 2008, Shale Gas production was over 5 Bcf/d (8% of North American gas production), with 70% attributable to Barnett Shale Gas in Texas. While production of the Barnett, Fayetteville, and Woodford Shales is developing, several other plays are being evaluated. These new plays will ensure Shale Gas production growth in the next decade. Simon Mauger, P.Geol, Director Gas Services said “Growing Shale Gas production is changing the mix of North American gas supply. Increasing unconventional gas production will comprise 53% of gas supply by 2020, up from 30% in 2000.” The chart below shows Ziff Energy’s outlook for unconventional gas production growth to 2020. (Ziff Energy press release, April 8, 2009)



Source : Ziff Energy

UNITED STATES : Chesapeake Energy announces another production curtailment in Barnett shale and Fayetteville shale fields

Chesapeake Energy Corp. said recently that it will curb its production by another 200 million cubic feet of natural gas a day in response to lower natural gas prices. Chesapeake has cut its natural gas output by a total 400 million cubic feet, or about 13% of its gross operated natural gas production capacity, since March 2009. The bulk of the production curtailments have occurred in the Mid-Continent and the Barnett shale. The company also said it would limit production from most of its newly completed wells in the Barnett shale and Arkansas’ Fayetteville shale to 2

million cubic feet of natural gas a day. In the Marcellus shale in Appalachia, Chesapeake will limit production at 5 million cubic feet a day, and in the Haynesville shale, a gas field in Louisiana and Texas, the company will limit production at 10 million cubic feet of natural gas a day. (Energy Tribune, April 17, 2009)

UNITED STATES : DOE publishes "Modern Shale Gas Development in the United States: A Primer"

The U.S. Department of Energy (DOE) announced recently the release of "Modern Shale Gas Development in the United States: A Primer." The Primer provides regulators, policy makers, and the public with an objective source of information on the technology advances and challenges that accompany deep shale gas development. The lower 48 states have a wide distribution of these shales containing vast resources of natural gas. Led by rapid development in the Barnett Shale in Texas, current shale gas activity is also found in areas of Oklahoma, Arkansas, Louisiana, Michigan, Illinois, and the Appalachian Basin. Some of these areas have seen little or no oil and gas activity in the past and new shale gas development can bring change to the environmental and socio-economic landscape. With these

changes have come questions about the nature of shale gas development, the potential environmental impacts, and the ability of the current regulatory structure to deal with this development. Key to the emergence of shale gas production has been the refinement of horizontal drilling and hydraulic fracturing technologies. These technologies enable industry to produce more natural gas from the shale formations economically and with less disturbance of surface environments. The Primer provides fact-based technical information for public education and informed regulation and policy decisions on the environmentally responsible development of the Nation's shale gas resources. (DOE press release, April 14, 2009)

The document can be downloaded at:

http://www.fossil.energy.gov/programs/oilgas/publications/naturalgas_general/Shale_Gas_Primer_2009.pdf

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