

U-Gas News Report

Unconventional Gas Activities in the World

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COALBED METHANE & COAL SEAM GAS

EXPLORATION DISCOVERIES

AUSTRALIA : Strike Oil receives new CBM exploration licence. — UG₃₀₋₁

Strike Oil has been recently granted a new exploration licence PEL 96 over its prospective Southern Cooper project area in South Australia where it will be targeting coalbed methane. Strike Oil will hold a 66.7% working interest in the five year licence which covers more than 4050 square kilometres. Previous drilling and seismic indicates coal is present over an area of more than 1800 square kilometres. Initial assessment work based upon coal seams intersected in two petroleum exploration wells - Tinga Tingana 1 and Weena 1 - and the interpretation of seismic modelling estimate 8 trillion to 20 trillion cubic feet of prospective CBM resources, Strike said in a statement. (Upstream online, May 14, 2009)

PRODUCTION

CHINA : World Bank agrees to finance CBM projects in Shanxi Province. — UG₃₀₋₂

The World Bank said recently it approved a loan of 80 million U.S. dollars to help China to increase the development and utilization of coal-bed methane to meet a growing demand for energy and reduce greenhouse gases and local air pollutants associated with coal combustion. The Shanxi Coal Bed Methane Development and Utilization Project will help north China's Shanxi Province to develop and implement an integrated coal-bed methane development plan and policy framework, said the World Bank. According to the World Bank, the project will finance the exploration and development of about 350 vertical coal-bed methane production wells with an estimated annual production capacity of 250 million cubic meters. It will also fund the construction of a liquefied natural gas plant consisting of four modules with individual production capacity of 50,000 tonnes per year. (Xinhua, May 20, 2009)

SHALE GAS

EXPLORATION - DISCOVERIES

CHINA : Shale gas experts team-up with Petrochina and Yangtze University. — UG₃₀₋₃

Harding Shelton Group, a team of U.S. experts in shale gas development based in Dallas, through Harding Shelton Energy Consulting (Beijing) Limited, signed recently a Memorandum of

Understanding with PetroChina's Research Institute for Petroleum Exploration and Development in Langfang (RIPED-Langfang) for evaluating shale gas as a new energy resource. The collaborative effort will also include studying drilling technologies that would be unique to the various basins of China. HSG and PetroChina will be working with the energy laboratories at Yangtze.

HSG also signed a Collaboration Agreement with Yangtze University to establish the "Yangtze University Harding Shelton Shale Gas Research Center". HSG is comprised of Harding Energy Partners, LLC in Dallas and Harding & Shelton, Inc. in Oklahoma City. HEP initiated and led a successful Barnett Shale development joint venture with ExxonMobil from 2005 to 2008. H&S produces wells and owns pipeline and workover rig entities in Western Oklahoma. (PRNewswire, May 20, 2009)

CHINA : Terrawest Energy discovers gas-bearing shales in Xinjiang province. — UG30-4

Petromin announced recently that Terrawest Energy Corp. has discovered significant gas-bearing shale and multiple coal seams in its LHG 08-03 well which was drilled in November 2008. TWE holds a 47% interest in a production sharing contract (PSC) with China United Coalbed Methane Corp. Ltd. (CUCBM). The project, called Liuhuanggou, is located in Xinjiang province and the PSC is located adjacent to the capital city of Urumqi. The project covers over 162,000 contiguous acres in the southern Junggar Basin. The Junggar Basin is an active hydrocarbon producing area but no shale gas discoveries have previously been announced. TWE had previously

announced significant coal seam intersections in earlier drilling dating back to 2006. The latest discovery is in the underlying and previously unexplored Jurassic Badaowan (J1B) formation. Well LHG 08-03 intersected approximately 350m of J1B with multiple gaseous coal seams as well as over 170m of gas-bearing shale before reaching total depth. Based on the 2008 results TWE will initiate further exploration of its Liuhuanggou project lands in the coming weeks to obtain critical shale data, further analyze coalbed methane in coal seams and further study essential reservoir characteristics. (PRNewswire, May 21, 2009)

PRODUCTION

UNITED STATES : Epsilon Energy starts production in the Marcellus Shale. — UG30-5

Epsilon Energy Ltd. announced recently that it has initiated natural gas natural gas production on its Highway 706 project in Northeastern Pennsylvania, which is focused on the Marcellus shale. The company initiated gas production from the Poulson #1H and is currently working out related start-up issues. The Poulson #2H will be hooked up for production next.

Both wells lie between the compressor site to the north and the tap into the Tennessee Gas Pipeline to the south. Epsilon is currently extending its gathering system to the north of the compressor site in order to bring on three wells that have previously yielded a combined natural gas production rate of 8.5 Mmcf per day. (Epsilon Energy press release, May 19, 2009)

WORLD : StatoilHydro and Chesapeake examine shale gas prospects in Europe and Asia. — UG30-6

StatoilHydro ASA and Chesapeake Energy Corp. are examining more than a dozen shale formations in Europe and Asia to find where they should invest together in unconventional natural-gas projects. At this point in time, we are looking at 14 different plays all over the world together with them to try to narrow it down, Oivind Reinertsen, president of StatoilHydro's U.S. and Mexico operations, said.

The plan is to decide by the middle of 2010 on where the companies can collaborate, Reinertsen said. They're looking in such countries as Hungary, Poland, India, Australia and China, he said. There are shale formations around the world that may be at least as prolific as the Barnett and Marcellus formations in the U.S., Reinertsen said. (Bloomberg, May 21, 2009)

RESERVES

UNITED STATES : Talisman estimates 30 Tcf of US shale gas as recoverable. — UG30-7

Chief executive John Manzoni said recently that Talisman Energy now estimates its North American lands have as much as 132 trillion cubic feet of unconventional natural gas in place, more than 30 Tcf of which may be recoverable. Talisman aims to make producing gas from shale plays in British Columbia, Alberta, Pennsylvania and Quebec. "We're working to bring down the break-even price of these plays all the time, but we believe we can certainly make them work at \$4 gas prices," Manzoni said. (Upstream online, May 25, 2009)

GAS HYDRATE

EXPLORATION - DISCOVERIES

UNITED STATES : Methane hydrate deposits found in Gulf of Mexico may be commercially producible. — UG30-8

A U.S. research team has found natural gas hydrate deposits under the U.S. Gulf of Mexico. "It's very encouraging. We consider this expedition a major shift in our understanding," said Timothy Collett of the U.S. Geological Survey. "What's unique about the Gulf of Mexico accumulations identified is this. It's the first time we've seen highly concentrated hydrates in conventional sand reservoirs that could be commercially producible," Collett said. The program seeks to determine by 2025 how much producible hydrate exists in the United States and whether it can be added to society's energy options, said co-leader Ray Boswell of the U.S. National Energy Technology Laboratory. Collett said the newly found deposits are more promising commercially because they are sizable and located in porous, permeable sands like

those from which conventional oil and gas are extracted. They also are less risky environmentally than shallower hydrate formations because they are trapped under impervious shales more than 2,000 feet under the seabed, Boswell said. The program, which includes the U.S. Minerals Management Service and an industry team led by Chevron Corp, used seismic data to try to locate hydrate deposits in the Gulf. From mid-April to early May 2009, an expedition drilled seven wells in three locations in Gulf waters 4,800 to 6,600 deep, areas the MMS calls Walker Ridge, Green Canyon and Alaminos Canyon for oil and gas industry purposes. Four of the wells found high concentrations of hydrate in porous, permeable sands. Two found low concentrations of hydrate in sands. (Reuters, May 14, 2009)

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