

U-Gas News Report

Unconventional Gas Activities in the World

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COALBED METHANE & COAL SEAM GAS

EXPLORATION DISCOVERIES

UNITED KINGDOM : Authorities approve IGas development programme in the Swallowcroft area. — UG₃₁₋₁

IGas has been granted a further Field Development Programme approval by DECC for its plans for the commercial production of CBM gas from its sites in the Swallowcroft area in Staffordshire. The FDP approval (covering, inter alia, permission for the production of gas) covers part of UK onshore PEDLs 40, 56 and 78. Where a PEDL holder wishes to produce gas, an application must be made to DECC seeking

approval for a development and production programme detailing how the licence-holder proposes producing petroleum (in this case CBM gas). The process is initiated by the submission of a FDP, together with an Environmental Statement discussing the environmental impact of the proposed commercial development. (Oilvoice, June 8, 2009)

UNITED STATES : Navajo Oil & Gas plans coalbed methane project. — UG₃₁₋₂

Navajo Nation Oil & Gas Co. is hoping to pursue oil and gas initiatives including coalbed methane production in the San Juan Basin. "Within Upper Fruitland, Nenahnezad, San Juan, maybe not as far as Burnham but primarily in that area, there is a large reserve of coalbed methane."

LoRenzo Bates, shareholder representative for the Budget and Finance Committee, reported recently. Wilson Groen, Navajo Oil & Gas CEO and president, said that the project would be located east of the BHP Billiton mine. The project will include gas gathering and compression stations, with the product delivered into some of the existing major interstate pipelines already on the Nation. (Independent, June 5, 2009)

PRODUCTION

INDIA : Great Eastern announces CBM output increased by 38%. — UG₃₁₋₃

Coalbed methane producer, Great Eastern Energy recently posted a 38% year-on-year increase in production to 4 million cubic feet a day in March 2009. The company has entered into contracts with 18 customers for a total 5.73 MMcf/d of gas supplies. Gas is being distributed through six outlets, four

of which belong to Indian Oil Corporation. Great Eastern has drilled 25 new wells during its second campaign. The company's gas gathering station is now fully operational, drawing outputs from 22 producing wells via a 31-kilometre internal pipeline network. (Upstream, June 8, 2009)

UNITED KINGDOM : IGas reports first electricity from CBM in Cheshire. — UG31-4

IGas, in conjunction with its joint venture partners Nexen has recently commenced electricity generation from domestic CBM gas at its Doe Green site (situated between Warrington and Widnes) in Cheshire. During the commercial test phase, electricity was produced and transferred to the National Grid. Over the course of the coming months, the CBM gas flow from the Doe Green site is expected to steadily increase and the electricity produced from this pilot alone should be able to power approximately 1,200 homes. First commercial sales via the Grid are expected to be sold at or around current spot market price and are planned to commence shortly. (Oilvoice, June 8, 2009)

UNITED STATES : Researcher develops CBM water tracer in rivers flow. — UG31-5

A University of Wyoming researcher has developed a test to trace co-produced coalbed methane water even after it flows into rivers and mixes with other water sources. Until now methods have been insufficient to distinguish coal-bed methane co-produced water from subsurface or shallow ground water in the Powder River basin, according to Professor Shikha Sharma, who developed the test. The UW study concluded that the test can help establish a "fingerprint" for co-produced methane water, according to Sharma. The

new test already has indicated that coalbed methane water released in the Powder River is having little to no effect on water in Montana. "The test can be used to help coalbed methane operators make sure they are drilling in the right coal seam," Sharma said. "This could help them in optimizing drilling costs and produce methane with a minimum footprint". The research was done in conjunction with the Wyoming State Geological Survey. (Associated Press, June 8, 2009)

COMPANIES

AUSTRALIA : Korea Gas to buy 10% stake of a coal seam gas explorer. — UG31-6

Korea Gas Corp., agreed recently to acquire 10 percent of Australian coal-seam gas explorer Blue Energy Ltd., with the option of taking stakes in Queensland drilling permits. Chairman Peter Cockcroft said in November 2008 the company would form alliances with partners as it seeks to confirm more than 1 trillion cubic feet of reserves within five years.

"Blue Energy views Korea Gas as a key long-term strategic partner," Cockcroft said in the statement. Under the heads of agreement the companies signed, Korea Gas has the option to share in Blue Energy's permits in the Galilee Basin and the Northern Bowen Basin and can nominate one director to Blue Energy's board. Funds raised from Korea Gas and the share sale will be used to help certify the Australian company's gas reserves in the second quarter of 2010, Blue Energy said. (Bloomberg, May 29, 2009)

SHALE GAS

EXPLORATION - DISCOVERIES

UNITED STATES : Penn Virginia announces Lower Bossier (Haynesville) Shale well production. — UG31-7

Penn Virginia Corporation announced recently the results of a horizontal Lower Bossier (Haynesville) Shale well in Harrison County in east Texas. PVA successfully completed the Steele #2-H well (100 percent working interest) which tested at an initial production rate of approximately 11.4 million cubic feet of natural gas per day with a flowing casing pressure of

approximately 4,600 pounds per square inch. This well has the highest initial production rate of any Lower Bossier Shale well PVA has drilled to date in east Texas. (Oilonline, June 3, 2009)

UNITED STATES : Goodrich Petroleum announces Haynesville Shale well results.

— UG31-8

Goodrich Petroleum Corporation announced recently results on its second operated horizontal Haynesville Shale well. The company has completed its second operated horizontal Haynesville Shale well in East Texas, the Lutheran Church 5HR, which tested at an initial production rate of 9.0 MMcf per day on a 26/64 inch choke with

4,375 psi. The well, which was completed with approximately 3,100 feet of lateral length and ten stages, is located in the company's Beckville/Minden area of Panola County, Texas. Goodrich is operator and owns a 100% working interest in the well. (PRNewswire, June 1, 2009)

PRODUCTION

UNITED STATES : A new bill could lead to disclose more shale gas production data.

— UG31-9

A bill that would require faster disclosure about production results from wells drilled on the potentially lucrative Marcellus Shale gas formation in Pennsylvania is on the move. The state Senate passed the bill unanimously and sent it to the House of Representatives for consideration.

Under the bill, companies would have to report well-specific production to the state twice a year. Those reports would then be made public. Current law prevents the state from releasing that data for five years. (Associated Press, June 8, 2009)

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