

U-Gas News Report

Unconventional Gas Activities in the World

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COALBED METHANE & COAL SEAM GAS

EXPLORATION DISCOVERIES

FRANCE : European Gas and Future Corporation in partnership in Gardanne CBM project. — UG37-1

European Gas Limited announced recently that it has entered into a Heads of Agreement with Future Corporation Australia Limited with regards to a Joint Venture covering the Company's 100% owned Gardanne project in southern France. Subject to permit renewal by the relevant French authorities, Future Corp. is required to spend a total of €1.5 million on the project including the drilling of one well to earn a 70% interest in the project. The principal target is coal bed methane. European Gas

will be the initial Operators of the Joint Venture. European Gas will also receive a first right of refusal over any new projects world wide generated by Future Corp. over the next three years. In commenting, European Gas Managing Director Anthony McClure said "We may also look forward to potential expanded programs covering Saint Etienne and in Tuscany". (European Gas press release, September 8, 2009)

INDIA : Government promotes bid round of NELP-VIII and CBM-IV Blocks. — UG37-2

The Government of India carried out recently an effective promotional campaign, showcasing 70 exploration blocks on offer under the eighth bid round of the New Exploration Licensing Policy (NELP-VIII) and fourth bid round of coal bed methane policy (CBM-IV).

The blocks comprise of 28 in deepwater, 24 in shallow water and 18 in onshore, out of which 10 are Type-S blocks area of 200 square kilometers or less). Murli Deora, Minister of Petroleum & Natural Gas remarked that with India's high import dependence of nearly 75% for oil requirements, the exploration for oil and gas through improved terms under NELP as well as CBM is a national priority. The bid closing date for NELP-VIII & CBM-IV is October 12, 2009. (Energy Business Review, September 8, 2009)

PRODUCTION

INDIA : Essar Oil may invest to produce coal seam gas in West Bengal. — UG37-3

Essar Oil Ltd. may spend \$300 million to produce natural gas from a coal seam block in the eastern state of West Bengal, which is expected to start output in December 2009. Shishir Agrawal, chief executive officer of Essar Exploration & Production India Ltd., said "We will generate around \$150 million from sales of the gas over the next three years when we will reach a peak". He added "We hope to raise the money by November end". India's Directorate General



Coal Mine Methane

Monday 23rd and Tuesday 24th November 2009,
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SMi's Coal Mine Methane conference will consider the opportunities of this promising sector. Not only a valuable resource, mine methane is an extremely potent and dangerous greenhouse gas and its capture and utilisation can have enormous environmental, economic and social benefits.

The conference will bring together the leaders in the CMM industry from around the globe to discuss their international projects, the CMM carbon credit market and the status of CMM as a renewable energy source. This is an unmissable chance for all those involved in planning, implementing and funding Coal Mine Methane projects in 2009.

KEY SPEAKERS INCLUDE:

- Programme Officer, United Nations Economic Commission for Europe
- Oleg Tailakov, Director/Head of Laboratory, Uglemetan/Institute of Coal and Coal Chemistry of SB RAS
- Yeen Chan, Project Manager, Green Gas International
- Anthony McClure, Managing Director, European Gas
- Neil Butler, Technical Director, Harworth Energy
- Tom Cairn, Director, Barclays Capital

KEY TOPICS INCLUDE:

- UNECE Activities in promoting CMM
- Managing challenges and opportunities in CMM utilisation
- Accessing the Carbon Market
- Securing Financing for CMM projects
- Selecting models for CMM evaluation
- Power generation from CMM
- Case Studies from the UK, France, China and Russia

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of Hydrocarbons upgraded the total gas reserves at Essar Oil's coal-bed methane block at Raniganj to 60.77 billion cubic meters, or 2.2 trillion cubic feet, from 42 billion cubic meters, Agrawal said. The reserves at the field are being certified by U.S. Company Netherland, Sewell & Associates Inc., Essar Oil said in a statement. The report may be completed by the middle of October, Agrawal indicated. Essar Oil plans to drill 500 wells in the area to produce 3 million cubic meters a day of gas over the next three to 3 1/2 years, Agrawal said. Output may start by December from 15 wells, he said. (Bloomberg, September 9, 2009)

INDIA : Great Eastern Energy completes CBM development project. — UG37-4

Great Eastern Energy Corporation Limited announced recently that it has successfully completed laying the entire pipeline on the Asansol-Durgapur sector resulting in a total pipeline of 77.47 km. The Company is currently in the process of testing the remaining section, comprising 30.39 km, from Raniganj – Durgapur. The total pipeline of 77.47 km comprises 11.8 km connecting the Gas Gathering Station to the Central Gathering Station; 12.36 km connecting CGS to Kulti, and 53.31 km connecting Asansol (CGS) to Durgapur. The pipeline system, which is capable of carrying up to 35 mmscfd at 15 bar pressure, is part of a vertically integrated network consisting of drilling, production, compression, transportation and distribution services. (Oilvoice, September 10, 2009)

UNITED STATES : Facing low gas prices and economic crisis, drilling of CBM wells declines. — UG37-5

World Oil magazine reported recently that CBM drilling in the U.S. is predicted to fall by almost half in 2009, compared with 2008, caused by low gas prices and the continuing economic downturn. U.S. operators drilled 5,129 CBM wells in 2008, 667 (12%) fewer than in 2007 and continuing a slowdown from a high of 7,357 wells in 2006. The Energy Information Agency reported that CBM production in the U.S. remained relatively flat in 2007 for the third straight year, with 1.754 Tcf of output. High

dewatering costs, caused by decreasing disposal capacity has been one of the main causes of the drilling slowdown, along with lengthened, more stringent permitting processes and low gas prices in Wyoming. Most CBM producing states are experiencing reduced CBM well drilling, with the exception being Virginia, which is projected to have only a slight decline in the number of wells drilled in 2009. (Coalbed Methane Extra, September 2009)

SHALE GAS

EXPLORATION - DISCOVERIES

POLAND : ConocoPhillips targets shale gas. — UG37-6

ConocoPhillips announced recently it has signed an exploration and evaluation deal targeting shale gas in Poland. The agreement with Lane Energy gives ConocoPhillips the option to earn 70 percent and operate up to 1 million acres, Larry Archibald, the company's vice president of exploration said. The acreage in northern Poland is flat, easy to reach and any natural gas produced can go into the European Union market, Archibald said. ConocoPhillips said it expects to drill its first well in Poland in the first quarter of 2010. Meanwhile, in North America, ConocoPhillips is scaling back its drilling in many areas. Archibald said the company did not "feel a lot of pressure to drill up" its North American shale positions at current prices. (Reuters, September 9, 2009)

PRODUCTION

UNITED STATES : Environmental concerns could hit shale gas development. — UG₃₇₋₇

Robert Clarke, product manager of Wood Mackenzie's unconventional gas service, said recently "Environmental concerns do have the potential to slow down shale gas development, but I think the slowdown will be more of a short-term problem". "There have been challenges in the past about drilling technology or well stimulation technology and the industry has addressed each one of those successfully," Clarke added.

Some environmental groups want tighter regulations on air emissions and water disposal and limits on the number of wells that can be drilled in a location, but Clarke said the industry already has taken steps to address some of these concerns. Horizontal drilling, for example, allows producers to drill multiple wells from one well pad. On-site water recycling has cut the amount of water needed in drilling and the number of trucks needed to cart water away from the drill site. (Reuters, September 1, 2009)

RESERVES

CANADA : The Horn River shale gas play could hold 500 Tcf of resources. — UG₃₇₋₈

EnCana Corp said recently that The Horn River shale-gas region in northern British Columbia could hold as much as 500 trillion cubic feet of natural gas, placing the find among North America's biggest discoveries. Data from companies operating in the region, including partner Apache Corp, EOG Resources Inc and Devon Energy Corp and others, shows the Horn River play ranks among the largest gas finds in North America as exploration in the region firms up its potential, Mike Graham, EnCana's executive vice-president, said. "We think there is probably 500 (trillion cubic feet) of original gas in place in the basin," he said. "It's a big basin". According to an April report from the U.S. Department of Energy, only the Haynesville shales in Louisiana and Texas, with 717 tcf of original gas in place, and the Marcellus shales, in Pennsylvania with 1,500 tcf of gas, are larger

than the Horn River discovery. Only a fraction of the original gas in place is eventually produced from shale discoveries. Some estimates have said as much as 110 trillion cubic feet could eventually flow from Horn River while the Department of Energy pegged recoverable resources from Haynesville at 21 tcf and 262 tcf for Marcellus. Graham said EnCana and Apache have drilled about 40 wells on their Horn River lands in the Northeastern corner of British Columbia, with the latest producing initially producing 8 million cubic feet and declining to 4 million cubic feet per day after a year. "That's a very, very good decline rate," Graham said. "Some of these big shale plays come off hard, 80 or 90 percent in one year. The Horn River is a bit different, it's got better geology and only declines 50 percent in a year." (Reuters, September 9, 2009)

GAS HYDRATE

EXPLORATION - DISCOVERIES

UNITED STATES : The Summer 2009 issue of Fire in the Ice. — UG₃₇₋₉

The National Energy Technology Laboratory's quarterly newsletter highlighting US Department of Energy methane hydrate research has been published. This issue includes five articles, including an update on the results of the Joint Industry Project spring 2009 logging-while-drilling expedition in the Gulf of Mexico.

Also covered is ongoing work on the Alaskan North Slope to investigate hydrates in arctic lakes, and a look at the process of selecting a location for a production test in Alaska. The issue is rounded out with an overview of Naval Research Lab hydrate research, and a peek at some evidence of hydrates offshore Mexico.

This issue, as well as past issues, can be accessed on the NETL website at:
<http://www.netl.doe.gov/technologies/oil-gas/FutureSupply/MethaneHydrates/newsletter/newsletter.htm>

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