



U-Gas News Report

Unconventional Gas Activities in the World

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COALBED METHANE & COAL SEAM GAS

EXPLORATION - DISCOVERIES

AUSTRALIA : Queensland government plans new environmental laws for CBM exploration — UG45-1

The Queensland government said recently that new laws to go to state parliament will better protect landholders' rights when their land is accessed for coal seam gas exploration. Mines Minister Stephen Robertson said laws would ensure investment in the industry can go ahead while protecting valuable farmland, groundwater supplies and the environment. Some farmers are upset at what they see as the bullying tactics of mining companies, and especially about the need to pump out vast amounts of water from underground aquifers on which the farmers rely. (Sky News, May 17, 2010)

ISRAEL : Adira Energy to farm into CBM Hachula's Notera petroleum licence — UG45-2

Adira Energy Ltd. recently signed a binding conditional Letter Of Intent with Coalbed Gas Hachula Ltd. an Israel-based Coalbed Methane Development company to farm-in to 70% in its "Notera" Petroleum License No. 355 ("Notera"). Notera is approximately 19,000 acres and contiguous and directly to the south of Adira Energy's Eitan Petroleum License No. 356 ("Eitan") in the Hula Valley of northern Israel. Energy will provide certain exploration and development science and expertise as well as to drill and complete one cored well at its sole cost, to

evaluate the exploitation potential on Notera. Adira Energy will operate Notera. Mr. Colin Kinley, Director of Operations, Adira Energy said: "We are excited to have this opportunity to explore the potential of the Notera License, we believe that this area offers an extension of both the shallow conventional gas and deeper coal bed methane. There has been interesting prior drilling on the block that substantiates our belief in the potential for this area. (Oilvoice, April 22, 2010)

UKRAINE : EuroGas and Galizien to develop CBM gas properties — UG45-3

EuroGas, Inc. recently entered into a Memorandum of Understanding with Galizien Energy Corp., a Toronto-based private oil & gas company, to develop certain Ukrainian coal bed methane gas properties owned by EuroGas and its Ukrainian partners.

The CBM properties in Ukraine consist of coal bed methane permits in East Ukraine, as well as an interest in a revitalization program of up to approximately 2,000 plugged and shut-in natural gas wells, which are also located in Eastern Ukraine. Galizien and EuroGas will be mutually responsible together with EuroGas Ukraine for choosing all well locations in East Ukraine for all of the operations associated with the work program.

The work completion program will consist of the drilling of 10 new wells to the appropriate coal bed methane formations, of which a minimum of two well locations shall be selected to include coring, logging and respective laboratory rock evaluation work. (Oilvoice, May 10, 2010)

NEW ZEALAND : L&M Energy finds CBM in the Beaumont and Morley plays — UG45-4

L&M Energy Limited provided recently an update on the drilling of the OM-4 well. The rig has successfully cored through the Beaumont and Morley coal measures, intersecting approximately 28 metres of gassy coal. As previously reported the Beaumont coal measures were intersected at 597m with approximately 9m of coal cored through the section. The Morley coal measures were intersected at 758m and have

now encountered 19m of gassy coal. Within the next six months the work programme for the Ohai area will include the drilling of a three to five well pilot programme to establish the company's first tranche of 2P reserves and realise the identified near term commercialisation opportunities with industrial gas off-take partners. (Oilvoice, April 21, 2010)

PRODUCTION

AUSTRALIA : Federal government plans a new 40 percent mining tax on CBM production — UG45-5

Resources and Energy Minister Martin Ferguson said recently that Australia's federal government is committed to helping the nation's fledgling coal seam gas industry get off the ground as the sector weighs the implications of a new 40 percent mining tax, Ferguson also said the government was open to negotiation over final details of the tax with the resources sector. The government has unveiled a new tax regime, also known as the Resource Super Profits Tax, to impose a 40 percent profit tax on miners operating in Australia starting from 2012. (Reuters May 17, 2010)

CHINA : Asian American Gas tests production at the Mabi CBM Block — UG45-6

Wells MB006 and MB003, located in the southern part of Asian American Gas Inc.'s Mabi CBM Block, produced recently gas. The wells are the first two production test wells in Mabi block, and are located on southern border of the Mabi CBM block. This development is particularly encouraging given that the geological conditions for CBM are relatively poor at MB006 and MB003 compared to most of this

area. The next step is to obtain quantitative confirmation of the peak gas, gas production time, recovery ratio and other parameters connected with CBM reserve calculation through pumping operation. The Mabi CBM Block covers approximately 1371 square kilometers with a total gas resources in-place of around 200 billion cubic meters. (Asian American Gas press release, May 6, 2010)

INDONESIA : CBM Asia announces update to Kutai-West coalbed methane work program — UG45-7

CBM Asia Development Corp. announce recently that it has been informed by its operating partner Newton Energy Capital Limited, that it has invited through public tender potential service contractors to participate in the pre-qualification process for its upcoming drilling program in the Kutai-West coalbed methane

Production Sharing Contract block, in East Kalimantan. Newton Energy Capital expects to commence its proposed coalbed methane work program in the second half of 2010, provided proper services can be contracted without further tendering. The program will include a 4-6 well drilling program to evaluate coalbed methane potential of the 76,000 hectare block, of which 6 potential drill sites for 3 core hole test wells and 3 pilot well holes have been identified amongst Newton Energy Capital's existing road infrastructure.

CBM Asia has been appointed geotechnical lead and based on the Company's participation interest in the Kutai-West PSC, is responsible for 30% percent of the 2010 Work Program expenditures. (Marketwire, May 6, 2010)

INDONESIA : First coalbed methane to flow in 2011 — UG45-8

An Energy Ministry official said recently that Indonesia expects to produce a small amount of coal-bed methane for the first time in 2011. “We expect the first combined total production will be about 9.2 million cubic feet per day,” Evita Legowo, the ministry’s director general of oil and gas said. “We will use this volume to feed small capacity power plants near the production areas”. The supply will come from areas in South Sumatra and East Kalimantan, including CBM fields operated by Indonesian energy firm PT Medco Energi International and Vico Indonesia. Vico Indonesia, jointly owned by BP and Italy’s Eni, is exploring CBM potential in Sanga-Sanga, East Kalimantan, which is believed to have methane resources of between 10 trillion to 15 trillion cubic feet. “We also expect the [coalbed] methane gas output from East Kalimantan to feed Bontang LNG plant by 2012,” Legowo said. Indonesia hopes combined total production of CBM will reach 100 million cubic feet per day by 2015 and 500 million cubic feet per day by 2020. (Reuters, April 28, 2010)

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SHALE GAS

EXPLORATION – DISCOVERIES

AUSTRALIA : Beach Energy boost shale gas exploration program in the Cooper Basin — UG₄₅₋₉

Beach Energy plans to accelerate its shale gas exploration drilling program in the Cooper Basin, northeast South Australia. The Holdfast-1 well, which is expected to spud in July 2010 in the PEL 218 tenement, will now, be immediately followed by a second well, to be located approximately 20 km to the south-east within the same tenement. These wells will be the first wells drilled in eastern Australia with shale gas as their sole objective. Beach Energy's General Manager-Exploration & Development, Mr Neil Gibbins, said "The Holdfast wells will be located in the central Nappamerri Trough, which is one of the very few areas in Australia where thick, overpressured, organically rich shales are

present at a depth which could make them economically attractive for the production of shale gas". Beach Energy's Chief Executive Officer, Mr Hector Gordon, said "Subject to the results of the first two Holdfast wells, we aim to be producing gas from our first pilot project in 2011. The experience in the USA has been that the cost to produce shale gas can vary widely between differing geological environments and that 'sweet spots', such as the one we are targeting in the central Nappamerri Trough, could provide large volumes of relatively low cost gas which is very competitive with other gas sources". (Scandinavian Oil and Gas, April 21, 2010)

CANADA : First horizontal well drilled in Duvernay shale play — UG₄₅₋₁₀

Three companies recently pooled acreage to drill a horizontal well targeting natural gas in the Devonian Duvernay shale in Alberta, Canada. Yoho Resources Inc. said "These lands are located in the prime fairway for a potential new shale gas resource play in the Duvernay formation". "The Duvernay has long been considered to be a world class source rock in the Western Canadian Sedimentary Basin and recent specialized reservoir and rock studies by Yoho indicates that this shale has all of the key parameters required for successful shale gas plays". (Oil and Gas Journal, May 13, 2010)

POLAND : Conoco to drill first exploratory shale gas well in June 2010 — UG₄₅₋₁₁

ConocoPhillips and Lane Energy Poland Sp. z o.o. plan to start drilling their first exploratory well for natural gas in a Polish shale formation in June 2010. "Our permitting has taken a little longer than we

expected, but everything is in place now," Kamlesh Parmar, country manager at Lane Energy, said. (Bloomberg, May 14, 2010)

PRODUCTION

CHINA : First shale gas could be developed in 2011 — UG₄₅₋₁₂

The Ministry of Land and Resources recently announced that the first shale gas could be developed and utilized in Chongqing of Southwest China as early as 2011. Chinese players are raising their efforts to tap enormous unconventional gas resources including shale gas. China is

said to own over rich shale gas reserves of 900 trillion cubic feet. The Ministry of Land and Resources, CNPC and Sinopec have launched several high-profile shale gas geological survey and exploration projects either independently or through collaboration with foreign companies such as New Field, ConocoPhillips BP and Shell. The Ministry of Land and Resources has set an initial goal for China to produce shale gas of around 500 million cubic feet per day by 2015. (GLGroup, May 13, 2010)

UNITED STATES : Shale gas producers already comply with future Pennsylvania rules — UG45-13

Shale-gas producers told recently Pennsylvania regulators most of them are already complying with future new regulations for protecting aquifers. Thirty-five shale-gas producers, members of the Marcellus Shale Coalition, also agreed to work with the state to develop better tests, record-keeping and drilling procedures to prevent methane gas from contaminating groundwater. “We want a world-class regulatory environment and a world-class industry environment in Pennsylvania, since we have a huge opportunity in front

of us” Ray Walker, chairman of the coalition and a senior vice president at Range Resources Corp., said. Under the new Pennsylvania rules, companies will have to use thicker pipes and stronger cement as they drill wells thousands of feet below ground, said Tom Rathbun, a spokesman for the Environmental Protection Department. Gas producers also will be required to rapidly notify state and local authorities when gas migration occurs, he said. (Bloomberg, May 13, 2010)

UNITED STATES : GMXR announces result of Haynesville/Bossier horizontal well — UG45-14

GMX Resources Inc. announced recently the completion of the Blocker Heirs #20H Haynesville/Bossier horizontal well with 14.4 million cubic feet of gas per day initial production rate. The well was drilled with a 4,450 foot lateral and stimulated with 11 frac stages. The well test was over 24 hours on a 20/64 choke with 5,890 pounds of Flowing Casing Pressure into a sales line with 975 pounds per square inch of line pressure. (GlobeNewswire, April 19, 2010)

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