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COALBED METHANE & COAL SEAM GAS

EXPLORATION - DISCOVERIES

AUSTRALIA: Westside Corporation and Mitsui E&P Australia to jointly explore CSG in the Bowen Basin. –– UG46-1

Westside Corporation Ltd said recently it will expand its alliance with Japan's Mitsui E&P Australia Pty Ltd to include additional coal seam gas interests in Queensland. The companies will now jointly explore and potentially develop Westside's 50 per cent held ATP 688P permit in the state's northern Bowen Basin, which contains the Tilbrook, Mount Saint Martin and Bald Hill prospects. (AAP, June 1, 2010)

BULGARIA: Economy Minister seeks US investors for CSG drilling. –– UG46-2

Economy Minister Traicho Traikov said recently that Bulgaria is seeking US investors for coal seam gas drilling. "We would like to stimulate the interest of American companies and to attract them to explore potential deposits in Bulgaria. The positive effect will be twofold – first, the very exploration of the deposits will bring investments worth hundreds of millions of dollars, and, second, it will improve Bulgaria's energy independence," Traikov explained. (Novinite, May 28, 2010)

PRODUCTION

AUSTRALIA: New laws on CSG produced water in Queensland. –– UG46-3

The Queensland Government passed recently legislation to regulate the environmental sustainability of the state's coal seam gas industry. Queensland Minister for Natural Resources, Mines and Energy Stephen Robertson announced that the South-East Queensland Water (Distribution and Retail Restructuring) and Other Legislation Amendment Bill 2010 would achieve a balance between environmental sustainability and economic development by protecting the interests of primary producers and of natural resources.
Mr Robertson said that amendments to the EPA would require CSG operators to evaluate and adapt their management practices to ensure there was minimal impact on surrounding land and water. "CSG operators will no longer be allowed to construct large evaporation dams except in exceptional circumstances, " he said. (Gas Today, June 2, 2010)

CHINA: Sinopec plans to boost unconventional gas production capacity. –– UG46-4

Sinopec Group plans to increase its unconventional gas production capacity to more than 2.5 billion cubic meters annually by the end of 2015. Sinopec will speed up the development of unconventional gas including shale gas and coalbed methane during the central government's 12th Five-Year Plan period (2011-2015).

The company has started unconventional oil and gas exploration and development in Shanxi, Shaanxi, Guizhou, Anhui and Jiangsu provinces, said a statement. "Sinopec has been paying increasing attention to the development of new energies.
We have now extended the business into many areas including unconventional gas and geothermal energy," said Huang Wensheng, spokesman for Sinopec. The company is in talks with Britain's BP Plc over potentially collaborating in the exploration and development of shale gas in China. (People's Daily, June 2, 2010)

CHINA: Petrochina targets more CBM output in 2013. –– UG46-5

Jie Mingxun, General Manager of PetroChina Coalbed Methane Gas Co said recently that PetroChina will invest more $1.46 billion in coming years to build 4.5 billion cubic metres of coal seam gas production capacity in China. "We aim to complete capacity building by 2013 and boost actual output to that level by 2015" he said. He added PetroChina's production of coal seam gas would reach 10 bcm by 2020. Jie said China's proven coal seam gas reserves totalled 185.2 bcm, with PetroChina holding about half of that. PetroChina has two coal seam gas subsidiaries. Huabei Oilfield was focussed mostly in Qinshui Basin, northern Shanxi and PetroChina Coalbed Methane Gas Co worked in other regions, according to Jie. (Reuters, May 28, 2010)

INDIA: Finance Ministry rejects tax holiday proposal for natural gas and CBM. –– UG46-6

The Finance Ministry recently rejected the Petroleum Ministry's demand for giving a seven-year income tax holiday to those who win sedimentary blocks for natural gas and coal bed methane exploration in the next round of auctions later in 2010. The finance ministry is of the view that companies that strike natural gas make profits after recouping the entire cost and hence they should not be reluctant to pay tax. If there is no profit, no tax is to be paid. A tax exemption will not help most foreign bidders for Nelp and CBM. Since India has double taxation avoidance agreements with the US, UK, Canada and most of the large European economies, they would be taxed only in one jurisdiction. "If they are taxed in India, their governments will not tax them. Similarly, if they are not taxed here, they would be taxed in their home soil," explained an official. During the preparations for Union budget 2010-2011, the petroleum ministry had asked the finance ministry to consider extending the tax holiday given to the eighth round of Nelp auction and the fourth round of CBM auction in 2009, to all previous Nelp and CBM auctions too. (TaxGuru, May 7, 2010)

RUSSIA: Gazprom asks tax incentive on CBM development. –– UG46-7

Gazprom submitted recently proposals to the Russian Federation Government on the measures to boost coalbed methane production. The document underlines that non-conventional hydrocarbon resources development, CBM inclusive, is a way of the feedstock base replenishment in the global gas industry. Russia's coal basins are estimated to contain up to 84 trillion cubic meters of potential undiscovered CBM resources.
The Kuznetsk Basin (Kuzbass) and the Pechora Basin are most promising for CBM production. In February 2010, Gazprom was the first Russian company to launch gas production from coal beds in the Talda CBM field. Exploration and appraisal activities are underway in another promising area of Kuzbass–Naryksko-Ostashkinskaya. Gazprom believes that a top-priority measure is to categorize CBM as a new kind of natural resource through adding the "Natural Gas (Methane) from Coal Beds" entry in the Russian Classified Index of Natural Resources and Underground Waters. Tax incentives in the form of a zero tax rate for this natural resource production may become the next stage of the regulatory and legal framework improvement and the basic means of state support.

The Talda CBM field is situated in the central part of Yerunakovsky geological and economic region of the Kuznetsk Basin within the Novokuznetsk and Prokopievsk regions of the Kemerovo Oblast, 65 kilometers north of Novokuznetsk. The field's C1+C2 gas resources account for 45.8 billion cubic meters as was approved by the Russian Federation Ministry of Ecology and Natural Recourses in May 2009.
In 2009 pilot operation of seven exploratory wells was launched at the first pilot production area of the Talda field. Gazprom dobycha Kuznetsk, a wholly-owned subsidiary of Gazprom is the license owner. In February 2010 Gazprom initiated Russia's first coalbed methane (CBM) production project in the Talda field. During the plateau period, annual CBM production in Kuzbass is planned to reach some 4 billion cubic meters, with a subsequent increase to 18–21 billion cubic meters in the long term. (Gazprom press release, May 20, 2010)

SHALE GAS

EXPLORATION - DISCOVERIES

AUSTRALIA: Two shale gas potential plays identified in the Cooper Basin. –– UG46-8

A technical review by MHA Petroleum Consultants identified recently two areas in PEL 516, located in the Cooper Basin in South Australia, as having considerable potential for major shale gas resources. The PEL 516 tenement, recently granted to Stuart Petroleum, includes the Allunga Trough and the Mettika Embayment. The Roseneath and Murteree shales within this area are well-developed and at moderate depths, according to Stuart Petroleum. Such conditions are conducive to the development of high-value high methane gas content and high levels of contained gas-liquids, the company said. (Gas Today, June 15, 2010)

POLAND: Be careful with shale gas estimates. –– UG46-9

Poland has so far issued 58 licenses to companies including Chevron Corp. and Exxon Mobil Corp. to search for so-called unconventional gas, said recently Ewa Zalewska, director of the license department at the Environment Ministry. She said "We must be very careful with estimates. No shale gas fields have been documented in Poland yet". While consultants estimate Poland may have 1.4 billion to 3 billion cubic meters of shale gas, hard figures on volumes and accessibility won't be known for two to five years, Zalewska said. Production will take 10 to 15 years, she said. "Poland is seen as one of the most promising sites for shale gas exploration in Europe," Zalewska said. "Shale gas can enhance the security of energy supply, it can help diversify supply sources and it can ensure more environmentally friendly projects. But for now we need patience, we need to let the geological work continue". Europe's unconventional gas reserves may total 1,200 trillion cubic feet, according to Royal Dutch Shell Plc, about five times the continent's proven gas reserves. (Bloomberg, June 7, 2010)

POLAND: Realm Energy awarded shale gas concessions. –– UG46-10

Realm Energy International Corporation announced recently that it has been awarded three concessions in Poland. Collectively, the area extent of these lands, held by the Company, is gross 2,572 km2 and net 1,881 km2. One concession, "Gniew", is held 100% by Realm Energy and the other two concessions "Ilawa" and "Wegrow" are held 50% by Realm Energy and 50% by Source Energy Partners, a Colorado based private shale company. All concessions are located in the Eastern European Craton, targeting natural gas in Silurian, Ordovician and Cambrian Shales. (Marketwire, June 16, 2010)

SOUTH AFRICA: Petroleum Agency grants shale gas permits to Shell and Falcon Oil. –– UG46-11

Petroleum Agency SA (Pasa) confirmed recently that it had granted shale gas permits to Royal Dutch Shell and Falcon Oil to explore for oil and gas in the southern Karoo and the Eastern Cape. Stephen Mills, the compliance manager at the agency, said Falcon's permit allowed it to conduct exploration in the southern part of the Karoo from Worcester to Port Elizabeth, while Shell's permit area along the coast stretched from Worcester to the KwaZulu-Natal coast. He said the permits did not allow the companies to drill but only to identify the results of previous explorations. (Business Report, June 18, 2010)

UNITED STATES: Shell acquires new positions in Marcellus Shale. –– UG46-12

Shell recently agreed to acquire subsidiaries which own substantially all of the business of East Resources, Inc. The transaction is subject to certain regulatory approvals. East Resources is a privately-owned business with its primary activity focused on the Marcellus shale, in the Northeastern US.

East Resources has some 650,000 net acres of highly contiguous, operated acreage in the Marcellus, and 1.05 million net acres of acreage overall. East Resources has some 60 mmscfe/d of production, predominantly in natural gas, with substantial medium-term growth potential. In addition, as part of its on-going acreage build strategy, Shell has acquired ~250,000 net acres of mineral rights in the Eagle Ford shale play, in South Texas, in 2010. (Shell press release, May 28, 2010)

PRODUCTION

UNITED STATES: Nextraction starts shale gas production at Appalachian Basin project. –– UG46-13

Nextraction Energy recently completed the Mountain Minerals #5 well located in its Appalachian Basin project. The well is now in production and sales have commenced. The well was fractured on April 29, 2010 and in mid-May flowed back at an extrapolated rate averaging 270mcfd while frac fluids were being lifted back to the surface. After shutting in the well for two weeks to allow for pipeline connection and production equipment, the well was placed back on line May 29 and flowed at a rate of 124mcfgpd while maintaining a higher than normal wellhead flowing pressure of 125 psi. (Energy Business Review, June 2, 2010)

UNITED STATES: New rules on drilling practices approved in Wyoming. –– UG46-14

In Wyoming, the state Oil and Gas Conservation Commission recently approved new rules, which cover a variety of drilling practices including hydraulic fracturing. "They appear on the surface to be workable," said Rick Robitaille, vice president of the Petroleum Association of Wyoming. "As we go down further in time and see how they progress, perhaps we will need to tweak, perhaps not. It remains to be seen".

Wider use of hydraulic fracturing in Wyoming and elsewhere has raised concern about fracking fluids contaminating groundwater. Wyoming's rules resulted largely from Governor Dave Freudenthal wanting clear guidelines ahead of any EPA regulations, said Wyoming Oil and Gas Supervisor Tom Doll. (Huffington Post, June 8, 2010)

TIGHT GAS

EXPLORATION - DISCOVERIES

CHINA: Total: expects Government approval on South Sulige tight gas project. –– UG46-15

Jean-Marie Guillermou, senior vice president for Asia Pacific, Exploration and Production said recently that France's Total expects Chinese government approval of its joint venture South Sulige tight gas project in China "in a few months". China National Petroleum Corp. is to be the operator of the field, and Total's stake will be 45%. Total has been doing advance work for several years on the 2,390-square-kilometer block in the Ordos Basin, after having signed an initial agreement in March 2006. In May 2009, CNPC said that once the South Sulige project is formally launched, Total could drill around 2,000 wells over the life of the field, projected at 20-25 years, and that peak production is forecast at near 3 billion cubic meters annually, some three years after output starts. Gas produced by Total will be delivered to China's transnational West-East gas trunk pipeline, for delivery to Shanghai or wherever CNPC decides, Total chief executive Christophe de Margerie said in December 2009. (Dow Jones, June 8, 2010)

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CEDIGAZ
Centre International d'Information sur le Gaz Naturel et tous Hydrocarbures Gazeux
1 et 4, avenue de Bois Préau, 92852 Rueil-Malmaison Cedex, France
Tel. +33 1 47 52 60 12 - Fax +33 1 47 52 70 14 - www.cedigaz.org
Editor's contact : thierry.rouaud@cedigaz.org