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COALBED METHANE & COAL SEAM GAS

EXPLORATION - DISCOVERIES

AUSTRALIA : Strike Energy records encouraging gas readings in Southern Cooper CSG play. — UG48-1

Strike Energy Limited advised recently that the PEL 96 Joint Venture has suspended the Forge 1 well at 1,351 metres pending further evaluation. Forge 1 has successfully cored a 15 metre thick coal seam in the first objective, the Epsilon Formation, between the depths of 1,311 and 1,326 metres. The results achieved to date are very promising for the CSG prospectivity of the PEL 96 permit area with a 15 metre coal seam successfully cored together with the recording of encouraging gas readings.

The Forge 1 well is the first of a two to four well programme in the Southern Cooper to target specifically coal seam gas potential. The prospective gas resource potential of the Permian age coal measures in PEL 96 is estimated at 3,700 to 9,300 petajoules, or approximately 3.7 to 9.3 trillion cubic feet. The Forge 1 well is located 16 kilometres west of the open access Moomba to Adelaide gas pipeline which has spare capacity due to the declining production of natural gas from the Cooper Basin. (Oilvoice, July 26, 2010)

INDIA : BP to stop exploration of CBM block in West Bengal. — UG48-2

British Petroleum's Indian arm recently decided to exit its only coal bed methane block in India. BP has informed the directorate general of Hydrocarbons that it is no longer interested in exploring gas in the block in West Bengal. "BP has put up a request that they would like to walk out of Birbhum CBM block. In their perception, the prospectivity of the project was not as good as expected," said SK Srivastava, director general of hydrocarbons. The coal bed methane block at Birbhum was awarded to

the local arm of BP in 2006. "We believe technical evaluation of the block to be complete," BP said in a statement, adding it had written to the government and is awaiting a response. "Drilling results indicate the presence of much lower gas content than anticipated with the absence of commercial gas in all depositional lows in the block as per our assessment," BP said. (DNA, July 30, 2010)

INDIA : Government sign CBM contract for 7 blocks. — UG48-3

The central government signed recently contracts with companies for the seven blocks awarded under the fourth round of coal bed methane Policy-IV having a resource potential of 330 million cubic metres of gas. While four blocks have gone to Essar Oil, one each has been bagged by Great Eastern Energy Corporation, Arrow Energy (AS) Pte Ltd. and Oil India consortium, and Arrow Energy (ST) Pte Ltd and Tata Power Company consortium.

These seven blocks are in Assam, Chhattisgarh, Jharkhand, Madhya Pradesh, Orissa and Tamil Nadu. With the conclusion of the fourth round of CBM, the government has signed a total of 33

CBM contracts till date. According to Minister of State for Oil and Natural Gas Jitin Prasada, "three CBM blocks have already entered the development stage and they are expected to produce gas by the year 2013-2014. Total CBM resources in the country are of the order of 92 trillion cubic feet, of which only 8.9 tcf have been established". (The Hindu, July 30, 2010)

UNITED STATES : Texas regulators propose new rules for shale gas drilling. — UG48-4

Texas environmental regulators have formally proposed beefing up regulations on oil and gas drilling, in an attempt to reduce air pollution caused when companies use new technology to extract natural gas trapped in deep shales. The Texas Commission on Environmental Quality formally submitted the proposal and the rules will enter a one-month public comment phase on August 13. The rapid expansion of shale drilling, especially around urban areas, forced the agency to review its regulations,

TCEQ Chairman Bryan Shaw said in a statement. Environmental groups say the rules don't go far enough, especially because they apply only to new permits. Anne Inman, an official in the air permits department, said most of the proposed rules apply only to new equipment or changes that would increase emissions. However, all sites must provide the agency with identifying information by 2013 and meet limits for maintenance, start-ups and shutdowns by January 2012. The agency is also attempting to better monitor air pollution in areas with a large amount of shale drilling. (Associated Press, July 29, 2010)

PRODUCTION

AUSTRALIA : Federal body calls for tighter CBM regulations. — UG48-5

Australia's Great Artesian Basin co-ordinating committee (GABCC) recently called for tighter regulation of exploration in the country's coalbed methane play. The federal body advises regulators on activities affecting the Great Artesian basin, which covers more than 1.7 million square kilometres. The aquifer is the only reliable source of fresh water for much of inland Australia. The basin lies under about 23% of the Australian land mass, including most of Queensland and northern New South Wales. The boom in CBM exploration has

sparked concerns that exploration work could fracture water-bearing sands, contaminating the aquifer and causing water loss. GABCC chairman Jeff Austin said "We are being told it is all under control, but we don't have enough evidence to satisfy ourselves that it won't jeopardise the Great Artesian basin in certain areas forever". Austin said the GABCC has set up two working groups to look into the impact drilling and exploration is having on the aquifers and water sources. (Upstream Online, July 26, 2010)

INDONESIA : CBM Asia announces signing of South Sumatra coalbed methane joint operating agreement. — UG48-6

CBM Asia Development Corp. announced recently the signing of a Joint Operating Agreement between operator PT Medco CBM Sekayu, a wholly-owned subsidiary of PT Medco Energi CBM Indonesia, and South Sumatra Energy Inc. which is owned, directly and indirectly, by a consortium of companies including CBM Asia, for the Sekayu coalbed methane Production Sharing Contract block, located in the South Sumatra Basin, Indonesia.

The Sekayu JOA is retroactive to May 27, 2008, the date the Sekayu PSC was granted by the Government of Indonesia, and establishes the respective rights and obligations of the operating and non-operating parties under the Sekayu PSC, including the joint exploration, appraisal, development and production of coalbed methane from the 58,349 hectare Sekayu block. MedcoEnergi and SSE each hold a 50 percent participating interest in the Sekayu PSC. (Marketwire, July 20, 2010)



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SHALE GAS

EXPLORATION - DISCOVERIES

INDIA : Shale gas auction planned in 2011. — UG48-7

The country is looking to launch the first-ever auction of shale gas areas in August 2011. The identification of the gas producing areas will be done by early 2011. This will be followed by carving out suitable blocks. Jitin Prasada, minister of state for petroleum and natural gas, had recently called a meeting of officials in the Directorate General of Hydrocarbons (DGH) and his ministry to discuss the future potential of shale gas. "The DGH has accordingly prepared a roadmap for the shale gas auction," said a ministry official.

Several basins — Cambay (in Gujarat), Assam-Arakan (in the North-East) and

Gondwana (in central India) are known to hold shale gas resources. In March 2010, the ONGC board approved a pilot project for exploration of shale gas in the Damodar Basin. DGH and the ministry would study worldwide fiscal and contractual regimes before framing a shale gas policy. It is being worked out and is likely to be in place by the end of the current financial year. The Petroleum and Natural Gas Rules, which govern the oil and gas exploration activity, will be amended prior to the floating of the first round of auction. (Business Standard, July 26, 2010)

POLAND : Talisman Energy plans to drill its first three wells in 2011. — UG48-8

Talisman Energy Inc. recently broadened its shale gas focus to Poland, with plans to drill its first three wells in the undeveloped European play in the middle of 2011. Richard Herbert, Talisman's executive vice-president of exploration, said "It is an area that has had quite a land rush — a lot of companies have moved in there". Talisman is a 60% partner in three blocks in Poland's north, near the Baltic Sea. Poland's shale and tight gas reserves may be as much as three trillion cubic meters, according to estimates by Advanced Resources International, a U.S. energy research firm. (Bloomberg, July 27, 2010)

POLAND : Orlen plans to start drilling for shale in 2011. — UG48-9

Refiner Orlen plans to start drilling for shale in 2011 as part of the company's long-term strategy to develop its upstream segment. "PKN Orlen holds five exploration licenses near Lublin in mid-eastern Poland, covering an area of 4,700 sq km. out of which 1,200 sq km is considered to contain

major shale-gas deposits," Wiesław Pruga, the head of Orlen's exploration arm, said. "We plan to drill the first well next year and we believe it will confirm the presence of shale gas in qualities suitable for industrial extraction". (Warsaw Business Journal, July 21, 2010)

SOUTH AFRICA : Chesapeake, Statoil and Sasol to study shale gas prospects. — UG48-10

Chesapeake will work with partners Statoil and Sasol Petroleum International to study the shale gas prospects in a nearly 55,000-square-mile area for up to 12 months. "The procedural decision announced will simply enable the evaluation of core samples that were obtained from the region many years ago" Chesapeake spokesman Jim Gipson said.

"We do not currently have plans to drill wells there. If tests show the area is a viable site for future gas production, the partners will consider pursuing a more extensive exploration

program. "A discovery of large recoverable shale gas reserves in the Karoo Basin will be a game changer in the broader South African energy market context and will likely constitute a major step to further develop gas transmission and distribution infrastructure in the country," said Ebbie Haan, Sasol's managing director. (Oklahoma Money, July 20, 2010)

UNITED KINGDOM : Shale gas targeted in Lancashire. — UG48-11

A well is being drilled on land near Kirkham in Lancashire to determine the scale of shale gas reserves there. The gas being targeted by Cuadrilla is 2,500 to 3,000m below the surface, in rock which runs from Pendle Hill near Preston to the Irish Sea. The tests are the first of their kind in the UK. Cuadrilla said it is working with the Health and Safety Executive and the Environment Agency to ensure there are no environmental problems with the work it carries out. (BBC, July 30, 2010)

PRODUCTION

CANADA : Apache chooses Honeywell UOP technology for shale gas processing. —

— UG48-12

UOP, a Honeywell company, recently said that its UOP Separex membrane system has been chosen to remove carbon dioxide from natural gas produced from a shale formation in the Horn River Basin of Northeastern British Columbia. When complete, the land-based Separex system will remove carbon dioxide from 150 million standard cubic feet per day of natural gas processed at the facility. The fabricated system will be delivered in the first quarter of 2011. (Energy Business Review, July 28, 2010)

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