



U-Gas News Report

Unconventional Gas Activities in the World

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Main News

COALBED METHANE

INDONESIA: Regulation. — UG72-2

The Indonesian government targets to sign 210 working areas of CBM or about 15 cooperation contracts CBM every year.

SHALE GAS

CHINA: License round. — UG72-4

China opened recently its second shale-gas licensing round, offering 20 blocks.

CZECH REPUBLIC: Regulation. — UG72-5

The petition committee of the Czech Chamber of Deputies does not consider the start of shale gas prospecting or extraction in the country.

UNITED KINGDOM: Approval. — UG72-9

IGas Energy said recently that test results indicate more than nine trillion cubic feet of shale gas at its Ince Marshes site, near Elton, and other North West sites in United Kingdom.

MEXICO: Planned project - Drilling campaign. — UG72-13

In Mexico, Pemex plans to drill 20 to 25 liquid shale gas wells in 2013.

COALBED METHANE

EXPLORATION - DISCOVERIES

INDONESIA: Joint study. — UG72-1

CBM Asia announced recently that it has received formal notification from the Director General of Oil & Gas to begin a **Joint Study of the 1,382 km² Riau Area CBM Block**. Under the Joint Study Agreement CBM Asia and its partner PT Tranaco Utama will conduct geological studies in cooperation with an Indonesian University to determine the economic viability of potential coalbed methane within the study area. If the study area is deemed economically viable CBM Asia and Tranaco will hold the right to apply for a Production Sharing Contract for the area. **The Riau study area is located in Central Sumatra**; with its southern boundary sharing the northern boundary of the company's 70%

held and operated Hulu PSC. CBM Asia has signed a Heads of Agreement with Tranaco under which CBM Asia will hold an 80% participating interest in the Riau Area CBM Block and will be the Operator. The Joint Study is expected to take 4 months to complete. CBM Asia also announced that it has made formal applications to conduct an additional three Joint Studies in prospective CBM areas in Sumatra and Kalimantan with a combined area of 7,704 km². CBM Asia's CEO Alan T. Charuk said "These areas as well as other growth opportunities under review support our goal to acquire a potential net recoverable resource base of 10-15 Tcf". (October 1, 2012)

PRODUCTION

INDONESIA: Regulation. — UG72-2

The Indonesian **government** recently drawn up **specifications for rigs for coalbed methane wells** in order to immediately produce the gas. Director of Engineering and Environmental Oil and Gas Edi Purnomo said the use of equipment for preventing unexpected blow out and regional geological aspects are important considerations to maintain the safety. Since it first signed in 2008, until now there are 50 working areas of CBM. **During the period of 2012 to 2025, the government targets to sign 210 working areas of CBM** or about 15 cooperation contracts CBM every year. CBM production of Indonesia is expected to increase up to 1,500 million cubic feet per day in 2025. The potential CBM gas in Indonesia is very large, about 453.3 trillion cubic feet from 11 hydrocarbon basins. (September 30, 2012)

SHALE GAS

EXPLORATION - DISCOVERIES

CHINA: Planned project - Approval. — UG72-3

The local government of Shaanxi province said that the National Development and Reform Commission approved recently the establishment of a **shale gas demonstration project in Yan'an, conducted by the Shaanxi Yanchang Petroleum Group Co Ltd**. During the 12th Five-Year-Plan period (2010-2015), **the demonstration project is scheduled to explore geological reserves of 150 billion cubic meters** and generate an annual output of 500 million cubic meters. The Chinese government has recently released its shale gas development plan for the 12th Five-Year-Plan period. (To be continued page 3)

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HOT TOPICS INCLUDE:

- China's national policy to greatly develop shale gas
- Shale gas projects' operating status and problems
- Shale Gas Drilling and Fracturing Technology
- Shale Gas Reserves Evaluation Technology
- China Market Outlook & Leading Players' Strategy



The plan stated that 13 provinces, including Shaanxi, Sichuan and Chongqing, are key areas of the shale gas industry and will build 19 exploration and development projects in these places. (September 28, 2012)

CHINA: License round. — UG72-4

China opened recently its **second shale-gas licensing round**, on 10 September 2012, offering 20 blocks. The new block offer was issued by the Ministry of Land and Resources. Both pure domestic enterprises and Chinese-controlled foreign joint ventures have been invited to participate. **The 20 blocks cover a total area of 20,002 square kilometres**, spanning seven provinces and one municipality including Guizhou (5 blocks), Chongqing (3 blocks), Hunan (5 blocks), Hubei (2 blocks), Henan (2 blocks), Anhui (1 block), Jiangxi (1 block), and Zhejiang (1 block). The majority of the blocks are located in southern China. (October 5, 2012)

CZECH REPUBLIC: Regulation. — UG72-5

The petition committee of the **Czech Chamber of Deputies** said recently it does **not consider the start of shale gas prospecting or extraction in the country** suitable in view of their environmental impact, and it asked the Environment Ministry to take steps halting all activities in this respect. The prospecting and possible extraction has been opposed by environmentalists, regional governors, town halls and inhabitants of the localities where shale gas deposits are supposed to be. Deputy industry and trade minister Pavel Solc assured them that shale gas prospecting or mining is no strategic interest of the Czech Republic. Environment Minister Tomas Chalupa previously said he will propose to the government that shale gas prospecting be banned until mid-2014. By then the relevant legislation should be adjusted to set clear rules for the use of the prospecting technologies. (October 2, 2012)

INDIA: Planned project - Resources. — UG72-6

The **US Department of Commerce** is to provide **"active support"** for the development of a **regulatory framework** to govern India's upcoming round for the exploration and production of shale

resources. The United States Geological Survey will also help India in **assessing the shale gas resources** in India, a press released by the Indian Embassy in Washington DC said. (September 30, 2012)

LATVIA: Resources. — UG72-7

In the Soviet years, specialists have explored deposits of **shale gas in the territory of Latvia**. It turned out that they lie at a depth of 600-800 meters. In addition, gas was so small that further investigation had ceased.

However, in 2011 and 2012, a number of politicians made statements about the prospects of shale gas in Latvia, trying to attract US investment and technology. The head of the Department of applied geology, University of Latvia Valdis Seglins noted that in Poland the shale gas significantly more, however, and its extraction costs too much. **In Latvia, such measures would be completely unprofitable.** (October 2, 2012)

POLAND: Regulation. — UG72-8

Piotr Wozniak, the deputy environment minister responsible for the draft law said recently that **Poland wants its new shale gas law to go into force in 2013**, but added that it would be best if a shale gas tax waited until at least 2016.

The new law is being prepared together by the Environment Ministry and the Finance Ministry. "The bill can be applicable as of 2013. If we publish the draft this or next month, oil and gas companies will have a chance to prepare their business plans for next year based on transparent rules," Wozniak said.

"Our tax regime must be competitive with Danish, Dutch, Norwegian, German, French or Italian tax rates ...That is why we want new taxation on extraction to start being applicable no sooner than at the beginning of 2016". Poland granted 111 shale exploration licenses to ExxonMobil, Chevron and other firms. ExxonMobil in June decided to drop its Polish exploration projects. (October 3, 2012)

UNITED KINGDOM: Approval. — UG72-9

IGas Energy said recently that test results indicate more than **nine trillion cubic feet of shale gas at its Ince Marshes site, near Elton, and other North West sites.** IGas chief executive Andrew Austin said "The results of this year's programme, particularly from our well at Ince marshes, are potentially transformational for the Group. " But he insists IGas would only produce gas if it could be done "in a way that's acceptable" to the local community. Planning officer Rod Brookfield, of Cheshire West and Chester Council (CWaC) said if the Cheshire well began operating it would extend two-three kilometres deep, minimising possible seismic and water contamination issues.

A Cheshire West and Chester Council spokesman said: "IGas has notified us of a discovery of shale gas at the Ince site where it has planning permission for the extraction of coalbed methane. **IGas has informed us that there is no intention at this stage to extract shale gas** at Ince. "Should this position change, the company would be required to submit a separate, full planning application to the council. " (September 27, 2012)

UNITED STATES: Planned project - Acquisition. — UG72-10

The **Oil India Ltd-Indian Oil Corporation partnership** is expected to **acquire participating interest in Carrizo Oil & Gas's Niobrara shale gas asset in Colorado.** In 2012, GAIL (India) had acquired 20 per cent in Carrizo's Eagle Ford shale acreage. Carrizo Oil also has a joint venture with Reliance Industries Ltd (RIL) for the Marcellus shale acreage in northern and central Pennsylvania. Carrizo is a Houston-based energy company actively engaged in the

exploration, development, exploitation, and production of oil and natural gas, primarily in the Eagle Ford Shale in South Texas, the Barnett Shale in North Texas, the Marcellus Shale in Appalachia, the Niobrara Formation in Colorado, the Utica Shale in Eastern Ohio, and in proven onshore trends along the Texas and Louisiana Gulf Coast regions. Carrizo is also actively developing its oil discovery known as the Huntington Field in the UK North Sea. (October 3, 2012)

PRODUCTION

CHINA: Planned project - Cooperation. — UG72-11

Zhang Yuqing, deputy director of the National Energy Administration, said recently that **China will strengthen cooperation in the energy sector, especially shale gas, with the United States.** Lin Boqiang, director of the China Center for Energy Economic Research at Xiamen University, said that because of China's shortage of water resources and its technology limits, the country will not achieve a breakthrough in the next two to three years.

"Rather than fossil fuel, water is the most precious resource for China, but it is not a problem for the United States, which has made a lot of progress in shale gas development in the past few years," he said. **"The current technology China has cannot solve the water problem".** Lin said while technology is a problem for China right now, it can be addressed very quickly. However, the technology China can employ should use less water, he said. Nevertheless, he said he is optimistic about the result of the second round of the tender. (September 28, 2012)

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CHINA: Partnership. — UG72-12

Huadian New Energy, a wholly-owned subsidiary of China Huadian Group, recently entered into an **agreement with Huadian Engineering**, being a subsidiary of Huadian, Jiangxi Coal Group and Jiangxi GME Institution, to establish Jiangxi Shale Gas. Jiangxi Shale Gas will be owned 10% by

Huadian New Energy, 34% by Huadian Engineering, 46% by Jiangxi Coal Group and 10% by Jiangxi GME Institution. **The new venture shall be involved in exploration, development and sale of shale gas** and the construction of piping network. (October 2, 2012)

MEXICO: Planned project - Drilling campaign. — UG72-13

Pemex said recently that Mexico's massive shale gas deposits could be profitably extracted if North American natural gas prices continue rising toward \$4 per million cubic feet. Jose Antonio Escalera, deputy director of exploration at Pemex Exploration and Production (PEP), said the company could turn a profit with prices "in the order of between \$3 and \$4" per million cubic feet and that **it plans to drill 20 to 25 liquid shale gas wells in 2013**. Escalera said that Pemex would in 2012 begin drilling at least two additional wells to prove the existence of more profitable shale oil.

He said that PEP has already drilled four shale gas wells in the country's Burro-Picachos field, an extension of the Eagle Ford shale formation near the U.S.-Mexico border, plus two others nearby. The EIA estimates Mexico, the world's No. 7 oil producer, has up to 680 trillion cubic feet of natural gas. Earlier, Mexico's deputy energy secretary Mario Gabriel Budebo said the country's **current shale gas deposits stand at a more conservative 297 tcf**. (October 1, 2012)

TIGHT GAS

EXPLORATION - DISCOVERIES

AUSTRALIA: Discovery. — UG72-14

AWE Limited's Senecio-2 well, a part of the tight gas hydraulic fracture stimulation program being undertaken in the North Perth Basin, Western Australia has shown an increased gas flow rate. A stabilised flow rate of **1.35 MMscf/d was recorded** and the

test produced a total of 4.65 MMscf of gas and approximately 65 bbls of crude oil/condensate over the flow period. AWE has a 50% interest in Senecio-2 while Origin Energy holds the remaining 50%. (October 2, 2012)

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