

# U - Gas News Report

Unconventional Gas Activities in the World

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by Constancio Silva

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#### COALBED METHANE

##### INDIA: Planned project – Approval

The Cabinet Committee on Economic Affairs (CCEA) has approved the proposal of Ministry of Petroleum and Natural Gas regarding policy for E&E of CBM areas under Coal Mining Lease allotted to Coal India Limited.

#### SHALE GAS

##### UKRAINE: Agreement

Ukraine gas deal with Russia will not affect shale gas agreements between Kiev and Western energy companies for shale gas exploration.

##### MEXICO: Investment opportunities

Canadian and US investors are likely to be among the first to participate in fracking for shale gas in Mexico, bringing their experience and expertise to a sector opened up by reforms.

##### NIGERIA: Investment opportunities

Stakeholders in Nigerian petroleum industry have urged the country's government to re-position the nation's oil and gas industry towards achieving high shale gas production.

##### EU: Regulation

Shale gas escapes stringent EU environmental directive.

#### TIGHT GAS

##### OMAN: Agreement

Oman's government and BP signed a major gas sales agreement and an amended production sharing pact for developing the Khazzan tight gas field.

#### GAS HYDRATES

##### CHINA: Gas supply

Chinese researchers have found tremendous reserves of natural gas hydrates under the Pearl River, which will ease the country's energy shortage.

## CBM

### EXPLORATION - DISCOVERY

#### **INDIA: PLANNED PROJECT - APPROVAL**

#### **CCEA approves exploration, exploitation of coal bed methane areas allotted to CIL**

The Cabinet Committee on Economic Affairs (CCEA) has approved the proposal of Ministry of Petroleum and Natural Gas regarding policy for Exploration and Exploitation of Coal Bed Methane (CBM) areas under Coal Mining Lease allotted to Coal India Limited (CIL). The policy will allow Coal India Limited to carry out exploration and exploitation of CBM from their coal mining lease areas leading to additional availability of CBM. This would also lead to degasifying the coal seams ahead of coal mining thus mitigating safety hazard and gainfully utilizing CBM.

It will have an added advantage for the environment since the gas which is presently either being flared or released in the atmosphere adding to greenhouse effect, will now be gainfully channeled into the supply volumes.

Production of additional CBM would also add to the revenue of Central / State Government as well as the mine operator in addition to possibility of earning carbon credits through proper exploitation of CBM. (December 20, 2013)

*01/10/2014*

# SHALE GAS

## EXPLORATION - DISCOVERY

### UNITED KINGDOM: REGULATION

#### Compensation row could halt shale gas exploration

Communities living near fracking sites have been offered a 1% share of revenue from gas found but the Local Government Association says that the figure is too low. It wants a 10% share of revenues. But this puts it on collision course with Energy Minister Michael Fallon who says the demand is too high. The stand-off could derail shale gas exploration.

The industry is offering a one-off payment of £100,000 to communities in the vicinity of drill sites and 1% of revenues from gas produced. **Companies say a higher slice of revenues could make costs too high with the result that exploration is unprofitable.**

Mike Jones, chairman of the LGA's environment and housing board, said: "Given the **significant tax breaks** being proposed to drive forward the development of shale gas and the impact drilling will have, communities should not be short-changed by fracking schemes.

Mr Fallon has warned: "Imposing too high a levy on revenues could make shale gas projects entirely unprofitable and leave gas and oil in the ground. That would damage our energy security, jobs and investment." He has agreed to meet town hall chiefs in February to discuss the issue. (December 22, 2013)

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### POLAND: FRAMEWORK AGREEMENT

#### Poland's shale gas E&E deal expires

Five Polish state-controlled companies: natural gas giant PGNiG, copper group KGHM and power groups Tauron, PGE and Enea saw their framework agreement on cooperation in shale gas exploration and extraction expire on December 31. The arrangement will not be renewed, Reuters reported recently.

Based on the deal signed on July 4, 2012, the companies planned PLN 1.7 billion outlays on joint exploration and extraction of shale gas from the first three pads at PGNiG's Wejherowo license on the Baltic coast. But they missed a number of deadlines for mapping out details of the deal and said that they had now let it expire.

At the beginning of January 2013 PGNiG admitted it had suffered setbacks while conducting a series of fractures on its first-ever shale gas horizontal well at the Lubocino site, Wejherowo license. (January 2, 2014)

01/10/2014

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## UKRAINE: AGREEMENT

### Ukraine gas deal with Russia will not affect shale gas agreements

A deal for cheaper Russian gas agreed between Russia's Gazprom and Ukraine's Naftogaz will not affect agreements between Kiev and Western energy companies for shale gas exploration, Eduard Stavytsky Ukraine's energy minister said recently. "The agreement with Gazprom in no way will weigh on the realization of the projects with Shell and Chevron,".

Russia and Ukraine recently reached agreement on a \$15 billion aid package which includes lowering the price for Russian gas deliveries to Ukraine by about a third. Earlier this year, the Kiev government signed separate agreements with Royal Dutch Shell and Chevron on exploring for shale gas in Ukraine as part of moves to secure greater energy independence from Russia. (December 18, 2013)

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## USA/CHINA: INVESTMENT OPPORTUNITIES

### US links up with Chinese firm in shale gas project

The booming US shale gas industry is to embrace a new partner - China's Shenhua Energy Co Ltd, the biggest coal producer in the world. The Chinese energy giant announced that it will join with an energy firm called Energy Corp of America to develop a shale gas project located in the state of Pennsylvania. According to a statement released by Shenhua, the company plans to invest \$90 million to set up a subsidiary for the new project. The project, which includes **25 shale gas wells, is expected to produce 3.8 billion cubic meters of gas in its first 30 years of operation.**

Shenhua had already secured a gas project in Central China's Hunan province at the beginning of this year. It plans to expand its shale gas business in Southwest China's Guizhou province, the statement said. However, Shenhua has never been involved in foreign shale gas projects before, and neither have other coal firms in China. (December 27, 2013)

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## PRODUCTION

### **MEXICO: INVESTMENT OPPORTUNITIES**

#### **Canadian, US investors lead suitors for Mexican shale**

Canadian and US investors are likely to be among the **first to participate in fracking for shale gas in Mexico**, bringing their experience and expertise to a sector opened up by reforms, according to analysts.

"With permission for fracking and mining to take place simultaneously, fracking will be very attractive to Canadian investors and companies already established in Mexico," according to Jorge Pedroza, director of energy at PricewaterhouseCoopers in Mexico. The reform legislation states that, in the event of the discovery of hydrocarbon reserves, mining companies must allow fracking in order to extract shale, while mining concessions will not grant rights over the hydrocarbon reserves that could exist in the same zone. Mexico is estimated to have the world's sixth-largest shale reserves, in states such as Coahuila, Veracruz and Sonora, the latter a region where various Canadian and US mining firms operate.

The technical expertise would come from Texas and Canada as it would be very simple to extrapolate the geographical conditions of those areas with Coahuila and northern Veracruz, where there are geological similarities, Mauricio Candiani, CEO of consultancy Candiani Mining said. (December 31, 2013)

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## **NIGERIA: INVESTMENT OPPORTUNITIES**

### **Experts urge Nigeria to focus on shale gas**

Stakeholders in Nigerian petroleum industry have urged the country's government to re-position the nation's oil and gas industry towards achieving high shale gas production, reports local newspaper The Nigerian Observer.

Alex Simon, Chief Coordinator, Prime-X Energy Ltd., Lagos, said that the recent call by OPEC to members not to ignore shale gas production also necessitated the call. Reuters, citing an OPEC report, said the group could lose almost 8% of its oil market share in the next five years as the shale energy boom and other competing sources boost rival supply, offering the exporter group little benefit from rising world demand.

Folorunso Oginni, Chairman, Lagos Chapter of the Petroleum and Natural Gas Senior Staff Association of Nigeria (PENGASSAN), said that any neglect of shale gas could affect the economy. Afe Mayowa, a former President of Nigerian Association of Petroleum Explorationists (NAPE), said development of shale gas could stall new LNG projects in Nigeria. (January 2, 2014)

*01/10/2014*

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## **INDIA: PLANNED PROJECT - EXPANSION**

### **ONGC to drill more shale gas wells in Gujarat**

Indian state owned oil and gas major ONGC plans to drill more shale gas wells in Cambay region of Gujarat. "ONGC had drilled the first well in Jambusar in October in 2013 to exploit the natural gas trapped within the shale formations located in Cambay basin, which is estimated to have a **shale gas potential of 20 TCF**," G C Katiyar, basin manager of Western Onshore Basin of ONGC said. The data from the first well near Jambusar has given ONGC more leads for further exploration that will help the company ascertain parameters in taking up commercial productions, Katiyar said.

ONGC estimates India's **shale gas reserve in the range of 500 to 2000 trillion cubic meters**. The company has plans to dig 30 shale gas exploratory wells across the country by 2014-15. These explorations are expected to be carried out in alliance with ConocoPhillips. (January 1, 2014)

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- Examine the latest developments in technology enabling you to **drill more sustainably**
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#### TOP RANKED SPEAKERS INCLUDE:

- **Kamlesh Parmar**, CEO, **Three Leg Resources**
- **Graham Dean**, Managing Director, **Reach Coal Seam Gas**
- **Marcin Lewenstein**, Director, **Department of Strategy, PGNiG**
- **Chris Faulkner**, CEO, **Bretling Oil and Gas**
- **Tony Bazley**, Director, **Tamboran Resources (UK) Ltd**
- **Kia Dunker**, Lead Economist, **BP**
- **Andrzej Nentwig**, Head of Legal Affairs, **BNK Polska Sp. z o.o**
- **Joe Howe**, Director, **UCLan Centre for Sustainable Development**
- **Tomasz Minkiewicz**, Partner, **Energy and Projects, CMS Cameron McKenna**
- **Kevin Skipworth**, Agent General, **Government of Western Australia**
- **Ken Cronin**, Chief Executive, **United Kingdom Onshore Operations Group**

#### PLUS AN INTERACTIVE HALF-DAY WORKSHOP

4th March 2014, Holiday Inn Regents Park, London, UK

### Regulatory and environmental issues in shale gas exploration in the UK and Central & Eastern Europe

Workshop Leaders: **Kostadin Sirleshtov**, Partner, Energy, Projects and Construction, **CMS Cameron McKenna LLP**  
**Ian Herbert**, Partner, Oil and Gas Team, **CMS Cameron McKenna LLP**

9.00am – 12.00pm

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## PRICE

### **UNITED STATES: PLANNED PROJECT – PLANT RESTART**

#### **LyondellBasell restarts Texas plant amid cheap natural gas**

LyondellBasell has restarted a Gulf Coast Recent Headlines chemical plant that had been dormant for a decade, inspired to make the change because of low natural gas prices, the company said. The methanol plant, which has a capacity to produce 780,000 tons of methanol per year, was shut in 2004 because natural gas prices in the United States became too high.

Several other companies recently have announced plans to build or restart methanol plants along the U.S. Gulf Coast to take advantage of low natural gas prices to produce the chemical product.

“The methanol plant restart is the first in a series of U.S. Gulf Coast projects by LyondellBasell to take advantage of the natural gas price advantage that we enjoy from shale gas,” Patrick Quarles, senior vice president of intermediates and derivatives for LyondellBasell, said. LyondellBasell began restarting the methanol unit in early December. (January 2, 2014)

*01/10/2014*

## ENVIRONMENT

### EUROPEAN UNION: REGULATION

#### Shale gas escapes stringent EU environmental directive

The EU agreed to move forward on new rules to assess the environmental impact of oil and gas exploration, **without specifically citing mandatory impact assessments for shale gas developments**, as was recommended by a Parliamentary committee. Permanent Representatives the Member States voted in favor of the final compromise text of Environmental Impact Assessment' (EIA) Directive on the assessment of the effects of certain public and private projects on the environment.

The EU stated that the changes were undertaken to "correct shortcomings, reflect ongoing environmental and socio-economic changes, streamline the EIA process and strengthen its quality, enhance policy coherence creating synergies with other EU legislative instruments. At the same time it aims at ensuring a high level of protection of the environment and of human health."

**Nations such as Britain which favour shale gas development, had lobbied against regulations at the EU level fearing that it would impair development of its shale exploration industry.** British Prime Minister David Cameron had appealed to directly to European Commission President Jose Manuel Barroso, arguing against stringent rules for shale gas and Owen Paterson, the UK Environment Secretary, hosted a series of private dinners in Brussels in an attempt to persuade ministers from other EU countries to back Britain's case.

Shale gas development in the EU is covered by 17 different pieces of legislation, but **no specific law on regulation of the unconventional gas has been approved** at the EU level. (December 20, 2013)

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## GENERAL INFORMATION

### POLAND: REGULATION

#### Poland may drop plan for state-run shale gas exploration fund

Poland may drop a plan to create a state-run fund to participate in shale gas exploration ventures to alleviate objections from investors and speed drilling. The proposed fund, called NOKE, is not indispensable, Environment Minister Maciej Grabowski said recently in an interview in Warsaw. The proposed fund would become a shareholder in domestic shale gas licenses to be sold under new regulations.

Poland has granted about 100 licenses to foreign and domestic drillers including Chevron Corp. to tap unconventional gas resources, ranked by the U.S. Energy Information Administration in 2011 as Europe's biggest, as it seeks to cut its dependence on supplies from Russia. Grabowski has said his priority is to speed up exploration and declared that new laws guiding the industry will take final shape after consultations with investors.

The number of wells completed this year fell to 12 from 24 last year, according to ministry data, as foreign drillers including Marathon Oil Corp. and Talisman Energy Inc. (TLM) withdrew from the nation. Piotr Wozniak, the deputy environment minister who was in charge of preparing draft shale regulations and oversaw licensing procedures, was fired and replaced by Slawomir Brodzinski, the ministry said. (December 19, 2013)

## TIGHT GAS

### PRODUCTION

#### OMAN: AGREEMENT

##### Oman, BP sign USD 16 bln pact for big tight gas project

Oman's government and BP signed a major gas sales agreement and an amended production sharing pact for developing the Khazzan tight gas field in north-central Oman with an estimated investment of USD 16 billion, it was reported recently.

BP will own 60% of the venture and Oman Oil will hold the remaining 40%. The agreement states that execution start in 2014 and actual shipment delivered in late 2017. The full field development will involve a drilling programme aiming to deliver around **one billion cubic feet of gas per day and 25,000 barrels per day of gas condensate**. This volume is equivalent to around a third of Oman's total daily domestic gas supply and will significantly contribute to ensure continuous and stable supplies from domestic sources.

According to the statement by the Omani minister in this regard, the agreement includes many details but priority in implementation goes to the electricity and water linkage and power infrastructure. The Khazzan Project is the largest new upstream project in Oman and a pioneering development in the region in unlocking technically challenging tight gas through technology," said Al-Rumhy. (December 17, 2013)

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### COMPANIES

#### INDIA: STAKE MODIFICATION

##### Oilex Sells 5% Interest in Cambay Tight Gas PSC

Oilex Ltd has said that Magna Energy Limited has exercised its option to acquire an additional 5% participating interest in the Cambay PSC in Gujarat, India for \$2 million pursuant to the agreement dated 9 August 2013.

The acquisition of the option interest is subject to the non-exercise of 30 day pre-emptive rights held by the remaining joint venture participants, and receipt of Government of India approval, the company said.

According to Oilex, after receipt of such approval and assuming no pre-emptive rights are exercised, Magna will hold a 15% participating interest in the PSC with Oilex retaining a 30% participating interest. (December 26, 2013)

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# GAS HYDRATE

## EXPLORATION - DISCOVERY

### JAPAN: GAS SUPPLY

#### Japan extracts methane from "Fire Ice"

In a world first, Japan extracted natural gas from frozen undersea deposits this year. Global fuel supplies may soon be dramatically enlarged thanks to new techniques to tap into huge reserves of natural gas trapped under the seafloor. In March, Japan became the **first country to successfully extract methane from frozen undersea deposits called gas hydrates**. These lacy structures of ice, found around the globe buried under permafrost and the ocean floor, have pores filled with highly flammable gas. By some estimates, hydrates could **store more than 10 quadrillion cubic feet of harvestable methane**. (January 06, 2013)

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## RESERVES

### CHINA: GAS SUPPLY

#### Vast deposits of natural gas hydrates found under Pearl River

Chinese researchers have found tremendous reserves of natural gas hydrates under the Pearl River, which will ease the country's energy shortage. Natural gas hydrates are natural gas and water frozen together into a solid substance.

The discovery shows about **150 billion cubic meters of hydrates** in an area of 55 square kilometers under the Pearl River. Natural gas hydrates are also called "flammable ice". The alternative fuel can ease reliance on petroleum, coal and natural gas. Statistics from the Beijing Gas Group Company says the capital used 8.4 billion cubic meters of natural gas in 2012.

The **new discovery could supply Beijing's natural gas for nearly 18 years at the same rate**. China started conducting research in natural gas hydrates in 1999. The country collected its first samples in the South China Sea in 2002. China is the fourth country to confirm such underwater findings, after the US, Japan, and India. (December 18, 2013)

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