Coal-bed methane development tip of resource plays

While the West Coast's power brokers debate whether to lift a moratorium on offshore oil and gas exploration, B.C.'s real energy issues are being played out in small cities and towns throughout the Interior.

Take Fernie, for example. Tuesday night, proponents and opponents of a potential coal-bed methane development in the Crowsnest coal field south of the city exchanged pleasantries at a public forum. Currently as proven reserves in the province follow just north of Sparwood. According to the B.C. energy ministry, the field contains in its seams an estimated 12 trillion cubic feet of gas.

If that in context, that's more gas than the nine B.C. cities and towns throughout the province. From Vancouver Island to Princeton to the Elk Valley (north of the Crowsnest Pass) and in the Peace River region is enthusiastic about his company's prospects, particularly for coal-bed methane.

Coal-bed methane development is produced from comparatively shallow wells drilled into coal seams, as opposed to the more conventional gas reservoirs that are many thousands of metres under the surface and under very high pressure.

The province has two pilot projects started, in the Elk Valley (north of the Crowsnest Pass) and in the Peace River. Other companies also active, including Petrobank Resources which is doing exploratory work north of Princeton.

However, CBM seems to be sneaking up on people, and the environmental battle lines are not fully drawn yet. The danger is that the debate will be badly warped, with gross exaggerations on either side of the argument capturing the headlines while rational discussion is lost in the rhetoric.

The coal field lies between the Elk River and the B.C.-Alberta border, and extends from south-

DON WHITELEY
VANCOUVER SUN
COLUMNIST

The knock on CBM is that it takes many more wells, spread over a much broader geographic footprint to produce the gas. While the gas is usually very clean, there is often a large volume of sometimes not-so-clean water produced with the gas, precluding a disposal issue.

However, the provincial government is very keen to encourage CBM development. After introducing last year a coal-bed methane royalty rate to encourage exploration and development, the province followed just two weeks ago with a request for proposals from the private sector for "unconventional" oil-and-gas projects, covering tight gas, shale gas, enhanced recovery projects, and coal-bed methane.

The province agrees to defer its royalty collection until the project is profitable.

If it's a very capital-intensive project, it allows for the project to pay for itself, and once it gets to the point of producing a profit, we take the royalty," said the ministry's Mark Jackson. "If we take our royalty up front, [the project] would have a zero, or negative, rate of return.

According to Jackson, the ministry will calculate the "net profit" formula on projects as they are submitted, on an ad hoc basis. The deadline for applying is July 1.

Mike Graham, senior vice president of EnCana's Foothills Region, is enthusiastic about his company's prospects, particularly for coal-bed methane.

"We like it," he said. "We're looking at a bunch of unconventional plays in B.C. and we think it's a great way to unlock the potential. Our big plays are tight gas, but we are looking at CBM in B.C. We'll make a proposal or two."

Coal-bed methane has the potential to be a huge resource for the province, given the long-term supply problems for natural gas in North America. EnCana has two pilot projects started, in the Elk Valley (north of the Crowsnest Pass) and in the Peace River. Other companies also active, including Petrobank Resources which is doing exploratory work north of Princeton.

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