

U.S. to Cut Estimate of Marcellus Shale Gas Reserves

MATTHEW DALY, Associated Press

WASHINGTON (AP) — The Energy Department said it will reduce its estimate of undiscovered natural gas in New York, Pennsylvania and other states following a report by the U.S. Geological Survey.

The USGS report, released Tuesday, estimates that the eight-state Marcellus Shale region contains some 84 trillion cubic feet of undiscovered, recoverable natural gas. That amount is far higher than the geological service had estimated in a 2002 report, but far below a recent projection by the Energy Department.

The conflicting reports prompted confusion and finger pointing amid growing questions about the extent of natural gas reserves available in the Marcellus region, which is in the midst of a drilling boom stretching from New York to West Virginia.

Accurate estimates are important for drillers and regulators alike as the government increasingly examines the risks of natural gas.

Improved geologic information and new drilling techniques, such as hydraulic fracturing and horizontal drilling, have opened up vast fields of previously out-of-reach supplies. U.S. shale gas production has increased 12-fold since 2000.

Along with increased production has come increased scrutiny. The New York attorney general has sent subpoenas to three energy companies as part of an inquiry into whether they gave investors an accurate picture of the profitability of their natural gas wells.

A spokesman for the Energy Information Administration said the USGS report supersedes a report last month by the energy agency. That report projected about 410 trillion cubic feet of undeveloped, recoverable gas reserves in the Marcellus region, which includes Ohio, Virginia, Maryland, Kentucky and Tennessee.

Spokesman Jonathan Cogan said the EIA, an arm of the Energy Department, and USGS, part of the Interior Department, have begun sharing detailed information regarding natural gas.

Other factors, such as drilling costs and well productivity, can have a greater effect on projected natural gas production and prices than variations in estimated amounts of technically recoverable resources, Cogan said.

Penn State University geologist Terry Engelder said the EIA was "guilty of a lack of clarity" in spelling out how its report differed from the USGS study. Engelder, whose 2008 estimate for Marcellus potential helped to set off the drilling boom, said the

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USGS report focused on undiscovered gas resources while EIA measured active and undeveloped supplies.

"These are two different agencies doing two different things," Engelder said.

The USGS figures represent an average of several possibilities about the gas reserves, located thousands of feet beneath the surface and coaxed out of the ground through methods such as hydraulic fracturing, or fracking. Water mixed with chemicals is injected into the ground to break up the shale and allow natural gas to escape.

The new survey suggested that Marcellus gas reserves range from 43 trillion cubic feet to 144 trillion cubic feet. That's a 40-fold increase from a 2002 report that estimated 2 trillion cubic feet of gas reserves in the region.

Environmental groups have expressed concerns that the process of extracting the gas from deep underground could contaminate the water supply. But gas industry groups say their practices are safe.

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