China Shale Gas Discoveries Major Boost to Supply

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SHANGHAI (AP) — China is reporting discoveries of major shale gas reserves in its western Sichuan region, a development that could drastically boost its domestic supplies of natural gas and temper demand for imports.

State-owned China National Petroleum Corp. has found shale gas reserves in at least 20 locations, with each able to produce over 10,000 cubic meters of gas per day, a company official confirmed Thursday.

The official, who refused to allow his name to be cited because he said he is not a company spokesman, did not know what the future plans were for developing the reserves.

Technologies that make it possible to free oil and gas from shale formations deep underground at less expense than in the past are helping relieve energy scarcity.

But they are also generating concerns over the potential environmental costs of such extraction processes, which involve blasting chemical-laced water and sand deep into the ground — a process known as hydraulic fracturing, or "fracking." Critics fear the drilling liquids, which can contain carcinogens, could contaminate water supplies, either below ground, by spills, or in disposed wastewater.

CNPC also reported in an online newsletter of the China Petroleum and Chemical Industry Federation, an industry group, that it had obtained good initial results in production from two exploratory shale gas wells.

The wells, are part of an effort to gauge the extent of suspected shale gas reserves in Sichuan that, if commercially feasible, could relieve pressure for increased imports to meet soaring energy demand.

The CNPC official did not say if the shale gas it succeeded in tapping was found just in blocks being developed by the company alone or also in blocks being explored along with Royal Dutch Shell PLC.

"If Shell has succeeded in producing gas from the pilot wells drilled in the Fushun-Yongchuan block, that's a good sign in terms of the company's ability to overcome the technical and geological challenges of extraction," said Thomas Grieder, Asia-Pacific energy analyst at IHS World Markets Energy in Geneva.

China's economic planning agency, the National Development and Reform Commission, initially reported progress on shale gas drilling in July.

China has awarded exploration rights for shale gas in the Sichuan Basin as part of efforts to launch use of the clean-burning fuel.

A CNPC technical report on its exploratory drilling for shale gas noted the need to comply with numerous environmental regulations and outlined various strategies for ensuring enough water supplies to conduct fracking.

It noted the difficulties of exploiting shale gas in what are mostly heavily populated areas.

China has so far not launched commercial shale gas operations but is partnering with Shell and other foreign companies seeking to improve its own technology. Chinese energy companies meanwhile have been investing in overseas reserves as part of their overall push to ensure access to crucial energy resources.

The U.S. Energy Information Administration has estimated that China has about 36 trillion cubic meters (1,300 trillion cubic feet) of recoverable shale gas, the biggest known reserves. The U.S. has about 23.4 trillion cubic meters (827 trillion cubic feet)

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Researchers Fu Ting in Shanghai and Zhao Liang in Beijing contributed.

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