Coal Mine Methane Drainage Considerations

for the

Sabinas Basin, Coahuila Mexico



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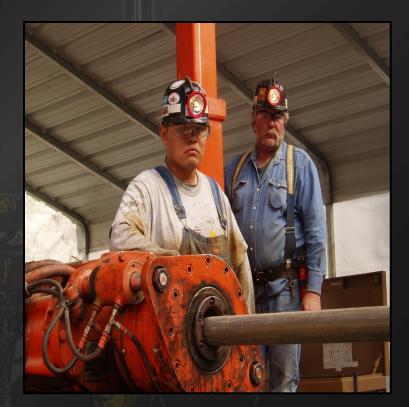






Presentation Outline

- Background
- Geology and Reservoir Characteristics of the Sabinas Basin
- CMM Drainage
 Techniques
- Case Study and Results
- Considerations



<u>REI DRILLING, INC.</u>

- Operate 7 long hole directional drills and 2 core drills on a contract basis across North America.
- Provide methane drainage consulting and directional drilling training.
- Developed first US in-mine CMM recovery and sale project.
- Managed and participated in numerous international directional drilling projects.
- Expanded uses for directional drilling. e.g. exploration and dewatering
- 25 years experience.







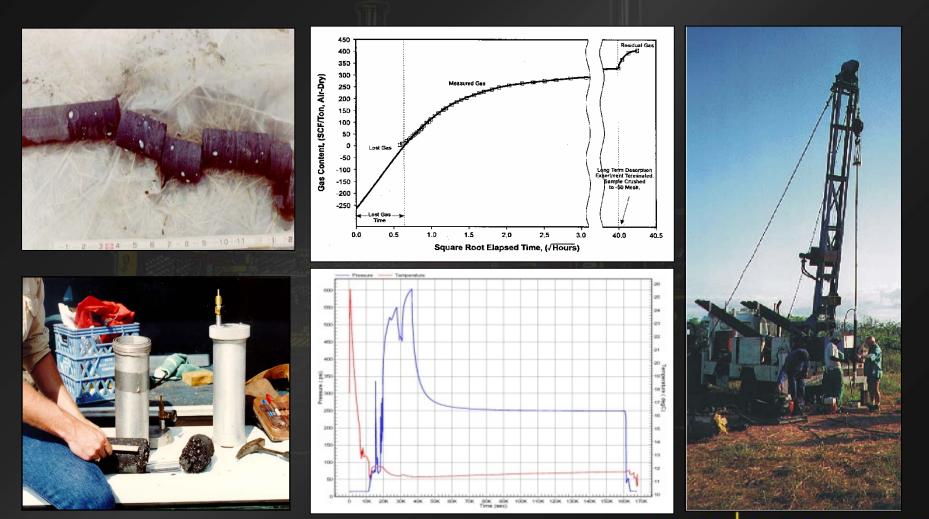
19 Years Experience in Sabinas Basin

- 1990: Conceptualized & implemented Surface CBM test project at Pasta de Conchos Mine (IMMSA)
- 1990-91: In Mine Methane drainage (CMM) project at Pasta de Conchos Mine
- 1992-2000: In Mine Methane drainage (CMM) project at MIMOSA's Mine II, IV and VI
- 1993: In Mine Methane drainage (CMM) project at Pasta de Conchos Mine
- 1995: Discussion for CBM development with GAN
- 2004: Sale of drill & CMM training of MIMOSA personnel
- 2008: Fletcher Training for Mimosa personnel

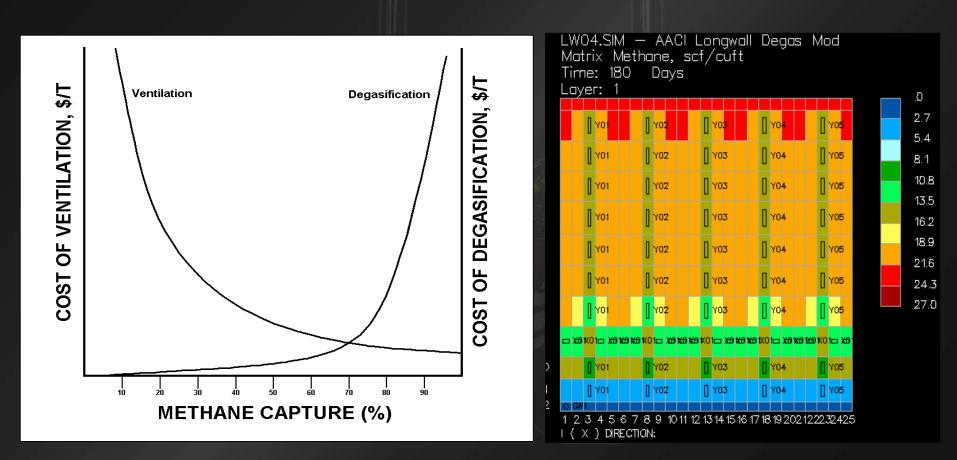




Geologic Reservoir Characteristics



Ventilation vs. Methane Drainage



Olmos Reservoir Conditions

→ Results of Field Tests (CNR):

Depth: 170 m Coal Thickness: 3.9 m Coal Rank: High Volatile A (Ro = 0.99%) In-Situ Gas Content: 8.4 m³/t **Desorption Time: 56.6 hours** Permeability: 33.6 md **Cleat Spacing: 1 mm** Gas Composition: 89.97% CH₄ Under Pressured: 7 kPa/m

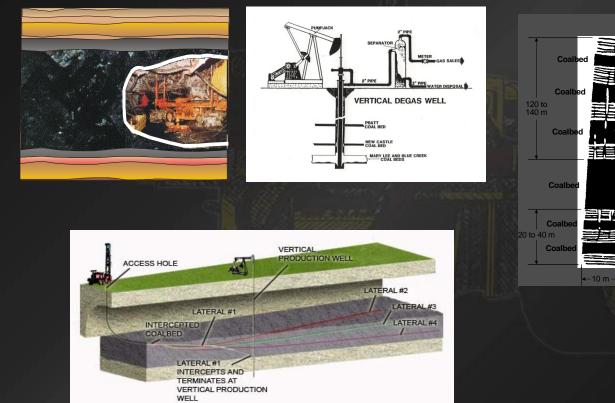
Observations

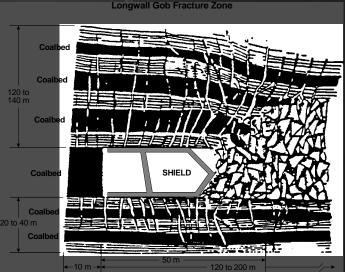
- A shallow single thick high gas content coal seam.
- Thick clay parting "Double Seam"
- Thick clay zone on top of coal
- Minimal gas bearing strata or other coal seams in overlying strata
- High Permeability
- Short Sorption times

Methane Drainage Techniques

• Pre-Mining

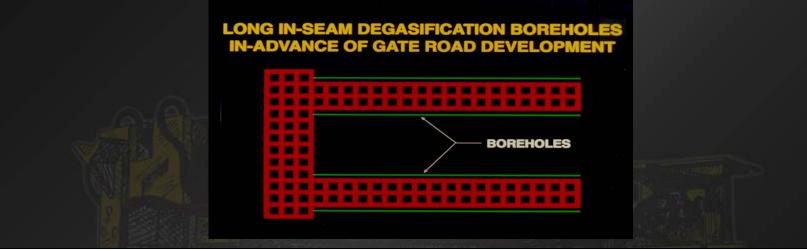
Gob Degasification

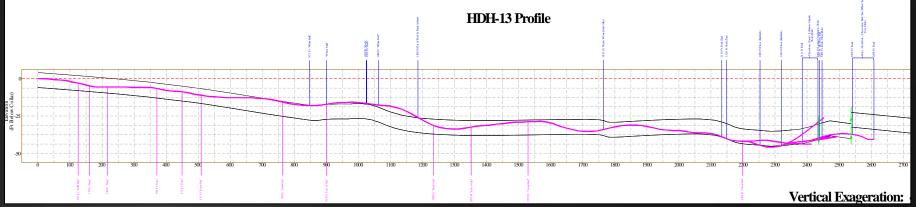




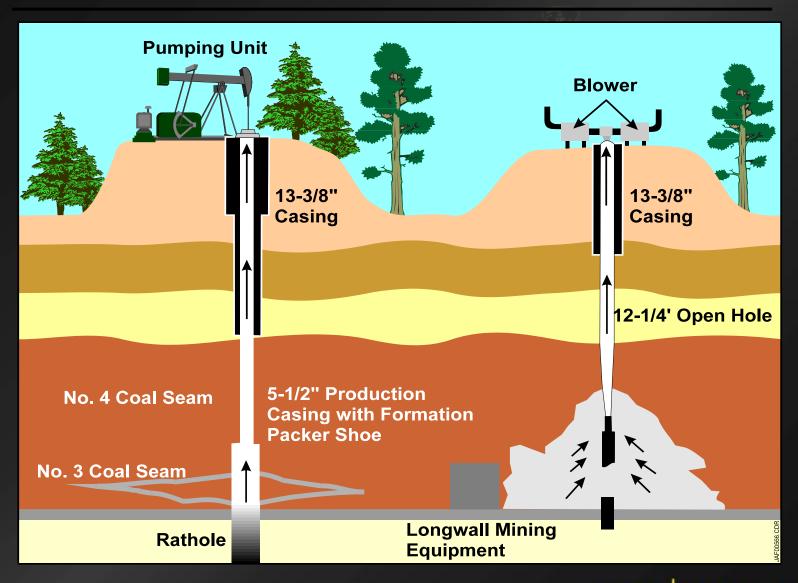
Methane Drainage

Pre-Mining - Long, In-Seam Boreholes:



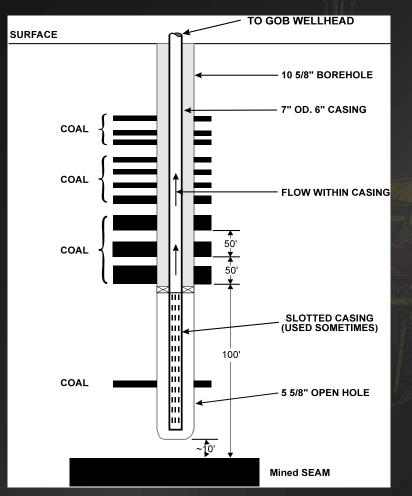


Design of Vertical CBM and CMM Wells



Methane Drainage

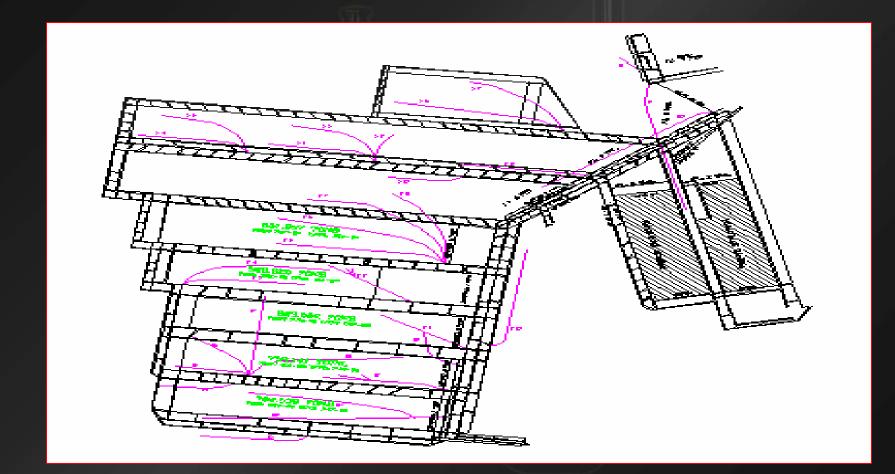
Gob Gas – Vertical Gob Wells





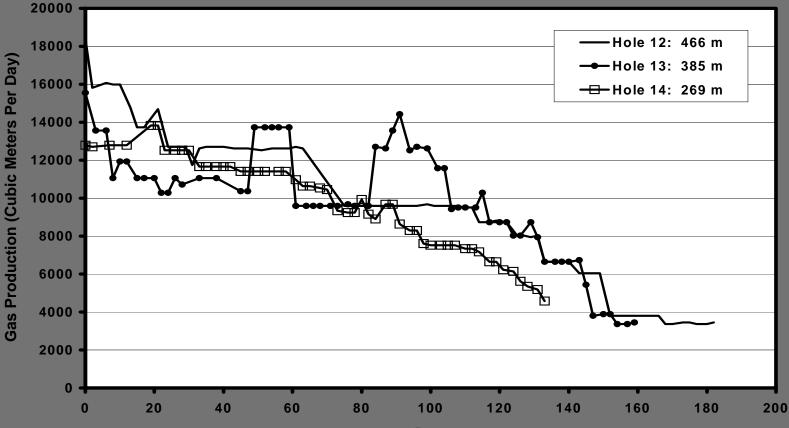
Case Study Mimosa #1 and #2

Methane Drainage Approach



Mimosa Gas Production



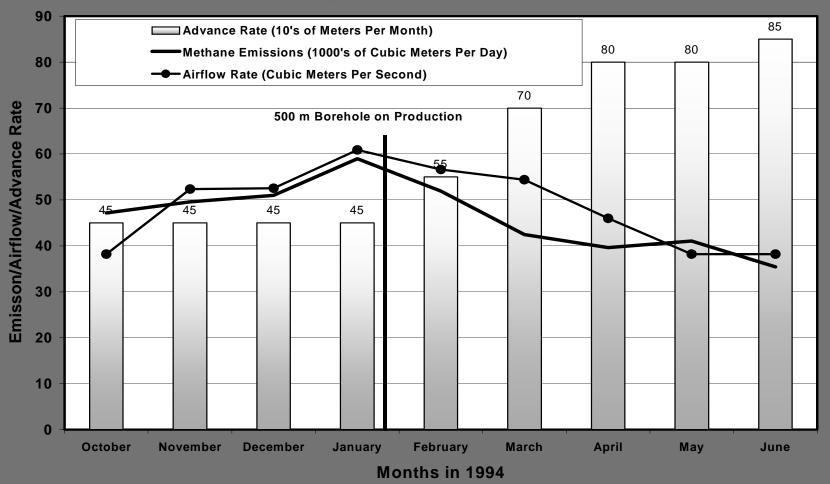


Day

Effect on Gate Road Development

MIMOSA #1 Mine

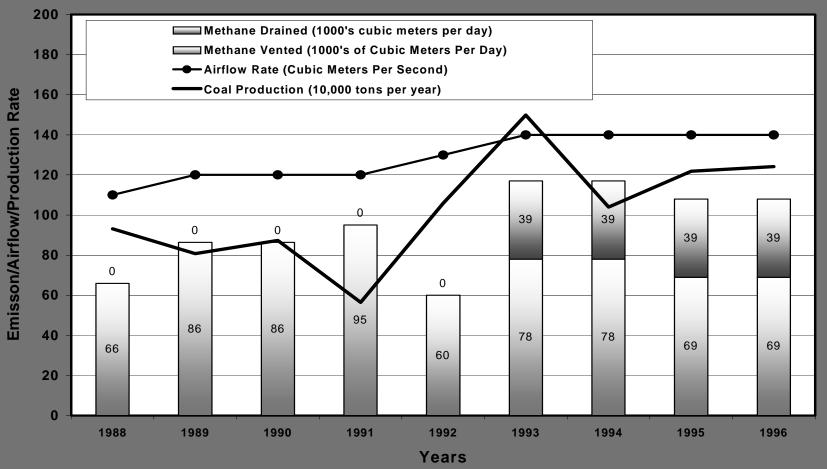
Methane Emissions, Airflow Requirements, and Advance Rate Before and After Degasification for 2 West Developments, Mine I



Methane Drainage Results

Mimosa Mine #2

Mine II Methane Vented, Drained, Airflow Requirements, and Production Rate Before and After Degasification in 1993



Cretaceous Age Sub Basins

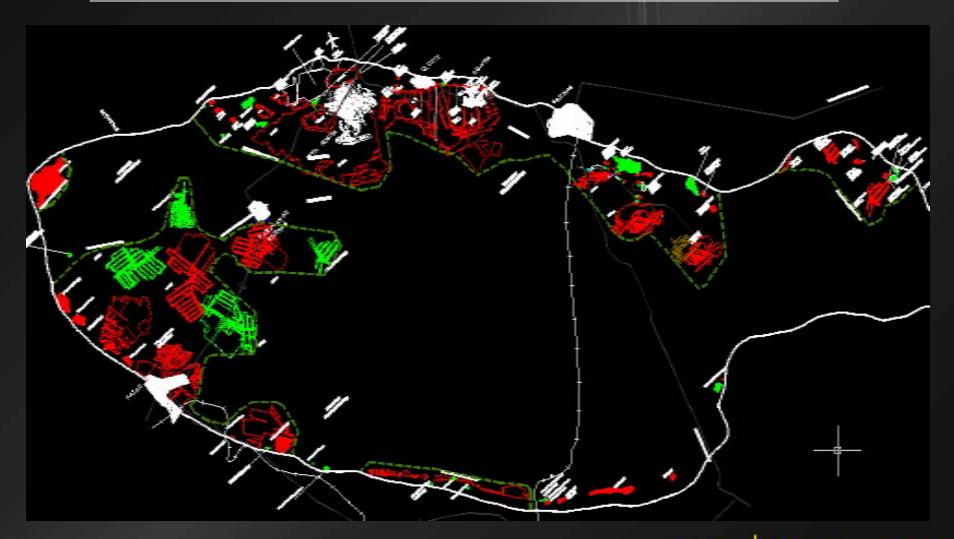


Six (6) Sub-Basins ("sub-cuencas"):

Sabinas
 Esperanzas
 Saltillito
 San Patricio
 Adjuntos
 Monclova

Main Basin: <u>Sabinas</u> Most mine projects have been developed here. The Sabinas sub-basin has been well characterized with almost 80% explored

Sabinas Basin



Keys to Prospect Generation

- In-place resource
- Geologic and reservoir characteristics
- Land acquisition
- Market considerations
- Drilling and completion costs
- Economic viability
- Favorable surface culture
- Financing





Project Considerations

- Scale
- Business Climate. Pace
- Ownership issues. Clear title?
- Local perception
- Coordination of mining, drilling, and gas recovery operations
- Market? Pipeline? Need to create gas utilization alternatives
- Environmental factors







Ownership Issues

International Background

Unclear CBM ownership has stalled development in many countries

- Different laws governs ownership of CBM in the USA
- Concept of "forced pooling"

Mexican Background

Gas Associated to Mineral Carbon Deposits (gas grisú) – mostly methane

- Ministry of Energy and Ministry of Economy
- Regulatory Law of Article 27 of the Mexican Constitution Regarding Oil and the Mining Law (*Ley Minera*)
- Amendment 11/08 and regulations published on12/16/08
- Restricted use to self consumption by holder of mining concession or delivery to PEMEX through purchase Agreement
- sale to third parties by concession holder is prohibited
- Permit application guidelines include demonstrate the evidence of gas, utilization approach, recovery process, and financial analysis.

Coordination of Operations

• <u>Mining</u>











Coalbed Methane Utilization



Environmental Considerations

- Global attention on GHG mitigation projects
- Methane unique due to energy value
- High demand
- Monetization of credits
- CO2 Sequestration projects
- Public and private funding





