

Contents

<i>Chapter</i>	<i>Page</i>
1. EXECUTIVE SUMMARY	3
Findings	3
The Resource	3
Gas Potential.	4
Policy Options To Encourage Shale Gas Production	6
Price Policies.	6
Tax Policies.	6
Research and Development	7
Information Collection and Dissemination	7
Conclusions	7
II. INTRODUCTION	11
The Natural Gas Situation.	11
III. REGIONAL EFFECTS OF PRODUCING GAS FROM DEVONIAN SHALE,	15
IV. THE RESOURCE	19
Geographic Extent	19
Terminology	19
Origin	19
Thickness.	21
Attitude and Depth	21
Composition.	23
Fractures	23
Natural Gas in the Brown Shale	24
V. CENTRAL RESERVOIR CHARACTERISTICS	31
Reservoir Evaluation Tools	32
Core Analysis	32
Permeability, Porosity, and Saturation,	32
Core Data Distribution	34
Flow Tests	34
Logging ,	35
Stimulation Techniques	35
VI. ECONOMICS OF BROWN SHALE GAS PRODUCTION	45
Price, Tax, and Other Economic Assumptions	46
Price Assumptions	46
Tax Assumptions	47
Other Economic Assumptions	48
Cost and Technical Characteristics of Brown Shale	
Gas Production in Three Localities	51
Analytical Results for After-Tax Net-Present Values Under Alternative Price and Tax Assumptions	54
Extent of the Economically Producing Area	57

An Estimate of Readily Recoverable Resources	59
General Observations and Findings	60
VII. BARRIERS TO BROWN SHALE GAS PRODUCTION	69
Obstacles to Development Using Available Technology	69
Obstacles to Advances in Shale Gas Technology	70
VIII. POLICY OPTIONS TO ENCOURAGE SHALE GAS PRODUCTION	75
Price Policies	75
Tax Policies	76
Research and Development	76
Information Collection and Dissemination	77
Conclusion	77
ix. SUMMARY AND CONCLUSIONS.	81

LIST OF TABLES

<i>Table Number</i>	<i>Page</i>
1. Proved Reserves of Natural Gas in the United States, 1959 -76	11
2. U.S. Production of Natural Gas and Curtailments of Firm Customers, 1959-76	12
3. Comparison of Core Data for Brown Shale and Reservoir Rocks from Other Gas Producing Areas	31
4. Production Statistics of Natural Gas From Brown Shale in Three Localities .	51
5. Direct Investment Costs for Producing Wells in Brown Shale	52
6. Effect of Reduction in Initial Investment Cost	52
7. Effect of Dry Holes on the Cost of Producing Wells	53
8. After-Tax Net-Present Value of Brown Shale Natural Gas Wells in Three Loca- tions-case A*	54
9. After-Tax Net-Present Value of Brown Shale Natural Gas Wells n Three Loca- tions—Case B*	55
10. After-Tax Net-Present Value of Brown Shale Natural Gas Wells n Three Loca- tions—Case C*	55
11. After-Tax Net-Present Value of Brown Shale Natural Gas Wells n Three Loca- tions-Case D*	56
12. Estimated Gross Production of Natural Gas of the Five Largest Producing States, 1976	60
13. Typical Well Costs (1976 Constant Dollars) High-Quality Brown Shale Well	63
14. Typical Well Costs (1976 Constant Dollars) Medium-Quality Brown Shale Well.	63
15. Typical Well Costs (1976 Constant Dollars) Medium-Quality Brown Shale Well.	64
16. Typical Well Costs (1976 Constant Dollars) Lower-Quality Brown Shale Well	64
17. Typical Well Costs (1976 Constant Dollars) Lower-Quality Brown Shale Well	65

LIST OF FIGURES

<i>Figure Number</i>	<i>Page</i>
1. Proved Reserves of Natural Gas in the United States, 1959-76	11
2. Projected U.S. Natural Gas Production, 1975 -2000	12
3. The Appalachian Basin.	20
4. West-East Cross Section Across Central West Virginia	22
5. Model Showing Fractures Generated by Deep Seated Basement Faulting and Propagated upwards into the Devonian Shale.	25
6. Averaged Production Decline Curves for 50 Devonian Shale Gas Wells. . . .	26
7. Devonian Shale Major Gas Production Areas	34
8. Locations of Core Wells in a proposed Inventory of Brown Shales by ERDA	34
9. Diagram Showing Relationship of Maximum Principal Stress and Least Prin- cipal Stress to the Plane of an Induced Hydraulic Fracture.	37
10. Deviated Wells and Earth Fracture Systems Process	39
11'. Comparison of Gas Production From Brown Shale Wells and a Typical Offshore Gas Well.	50