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Gas supplier taps Xinjiang

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Enviro Energy International Holdings (1102) plans to start commercial production at its Xinjiang natural gas project in the first half of next year.

The firm also plans to start production at its newly discovered shale gas reserve, also in Xinjiang, in 2012 first quarter.

The company is mainly involved in exploring unconventional natural gas, including coalbed methane and shale gas.

"China hopes to lift natural gas supply from the current 5 percent to 20 percent of total natural resources in five years," said chairman Kenny Chan Wing-him. "I believe the bigger demand will bring us opportunities."

Enviro Energy's losses increased to HK\$31.5 million for the six months ended June 30. Revenues came in at HK\$140,000 in the first half.

Despite booking losses since transferring to the main board last year, Enviro Energy has invested HK\$100 million to explore natural gas wells.

It is now carrying out tests at 12 wells, and aims to drill up to 1,400 over the next five-to-six years. "The second West-East natural gas pipeline runs over our project, which provides transportation convenience to us," said Chan.

Mainland authorities have fixed the floor price of natural gas at US\$6 (HK\$46.6) per million cubic feet, versus US\$10 per mcf import price.

Chan said production cost is as low as US\$2 per mcf. The stock rose 2.8 percent to HK\$0.22 on Friday. GRACE CAO