

TECHNICAL PROGRESS REPORT – ANNUAL

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RECIPIENT PROJECT DIRECTOR: Mr. Cary D. Brock, P.E.

PROJECT TITLE: Economic Implementation and Optimization of Secondary Oil Recovery
Process: St. Mary West Field, Lafayette County, Arkansas

RECIPIENT: Strand Energy, L.C.
910 Travis, Suite 1820
Houston, Texas 77002

DOE PROJECT OFFICER: Mr. Jim Barnes
U.S. Dept of Energy
National Petroleum Technology Office
Williams Center Tower One
One West Third St, Suite 1400
Tulsa, Oklahoma 74103

ADMINISTERED FOR DOE BY: Ms. Mary Beth Pearse
U.S. Dept. of Energy
National Energy Technology Laboratory
626 Cochran Mill Rd.
Pittsburgh, Pennsylvania 15236

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ABSTRACT

Non-Applicable

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Non-Applicable

EXECUTIVE SUMMARY

The purpose of this study is to investigate the economic appropriateness of several enhanced oil recovery processes that are available to a small mature oil field located in southwest Arkansas and to implement the most economic efficient process evaluated. The State of Arkansas natural resource laws require that an oilfield is to be unitized before conducting a secondary recovery project. This requires all properties that can reasonably be determined to include the oil productive reservoir must be bound together as one common lease by a legal contract that must be approved to be fair and equitable to all property owners within the proposed unit area. Although we have had a couple of “hold-out” (non-cooperating) working interest owners in one of the four active oil producing wells which is located on an 80 acre tract, one of the 12 tracts proposed for the 880 acre unit, the Arkansas Oil and Gas Commission (AOGC) has approved the form (language) of the proposed Unit Agreement and Unit Operating Agreement. We are now completing the process of circulating the Unit Agreement for ratification by the working interest and royalty interest owners.

The State of Arkansas natural resources law provides for “integration” of property owners within a proposed unit who may not have ratified the Unit Agreement. Integration of non-ratified property owners can be approved by the AOGC if working interest owners representing 75 percent of the proposed unit area and royalty interest owners representing 75 percent of the proposed unit area have ratified (signed) the Unit Agreement contract. Strand Energy, and our partners, control 90 percent of the proposed unit area making the 75 percent working interest ratification criteria academic and we feel very confident that royalty interest owners representing 75 percent or more of the proposed unit area will ratify the Unit Agreement. As of the date of this report, over 50 percent of the royalty interest owners have ratified the Unit Agreement, and we anticipate obtaining more than the necessary 75 percent ratification by the end of April 2002. We will petition the AOGC for final approval of the St. Mary West Unit at the monthly AOGC meeting in June 2002.

Upon formal approval of the St. Mary West Cotton Valley Unit by the AOGC we will then commence the reservoir study of available enhanced oil recovery processes with our consulting engineers, Platt Sparks & Associates. Strand will conduct the economic evaluation of the various candidate oil recovery methods from the results of the field simulations completed by Platt Sparks & Associates and immediately implement in the field the secondary recovery process determined to be the most economically efficient for the St. Mary West Cotton Valley reservoir.

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EXECUTIVE SUMMARY (Continued)

The unitization process has taken much longer than anticipated since the Technology Development with Independents Program grant was originally awarded to Strand Energy, L.C. in the year 2000. The project/budget period of two years will end June 30th 2002. To date, Strand Energy, L.C. has requested \$0.00 of the total \$75,000 grant. Prior to expiration of the project period, Strand Energy, L.C. will submit a request for extension of the project period to our Contract Specialist, Mary Beth Pearse, for approval by the DOE Project Officer, Mr. Jim Barnes of the National Petroleum Technology Office.

EXPERIMENTAL

Non-Applicable

RESULTS AND DISCUSSION

Non-Applicable

CONCLUSION

Non-Applicable

REFERENCES

None