

Oil & Natural Gas Technology

DOE Award No.: DE-FE0000797

Quarterly Report

Comprehensive Lifecycle Planning And Management System For Addressing Water Issues Associated With Shale Gas Development In New York, Pennsylvania, And West Virginia

Submitted by:
ALL Consulting, LLC
1718 S. Cheyenne Ave.
Tulsa, OK 74119

Principal Author: J. Daniel Arthur, P.E., SPEC

Prepared for:
United States Department of Energy
National Energy Technology Laboratory

October 31, 2011



Office of Fossil Energy

Acknowledgment:

This material is based upon work supported by the Department of Energy under Award Number DE-FE0000797.

Disclaimer:

This report was prepared as an account of work sponsored by an agency of the United States Government. Neither the United States Government nor any agency thereof, nor any of their employees, makes any warranty, express or implied, or assumes any legal liability or responsibility for the accuracy, completeness, or usefulness of any information, apparatus, product, or process disclosed, or represents that its use would not infringe privately owned rights. Reference herein to any specific commercial product, process, or service by trade name, trademark, manufacturer, or otherwise does not necessarily constitute or imply its endorsement, recommendation, or favoring by the United States Government or any agency thereof. The views and opinions of authors expressed herein do not necessarily state or reflect those of the United States Government or any agency thereof.

Quarterly Progress Report

Title: **Comprehensive Lifecycle Planning and Management System for Addressing Water Issues Associated With Shale Gas Development in New York, Pennsylvania, and West Virginia**

Recipient: Arthur, Langhus, Layne, LLC, dba ALL Consulting, LLC
 1718 S. Cheyenne
 Tulsa, OK 74119

Principal
Investigator: J. Daniel Arthur, P.E., SPEC, darthur@ALL-LLC.com, 918-382-7581

Award No.: DE-FE0000797

Period: June 30, 2011 – September 30, 2011

Executive Summary

The objective of this project is to develop a modeling system to allow operators and regulators to plan all aspects of water management activities associated with shale gas development in the target project area of New York, Pennsylvania, and West Virginia ("target area"), including water supply, transport, storage, use, recycling, and disposal and which can be used for planning, managing, forecasting, permit tracking, and compliance monitoring.

The proposed project is a breakthrough approach to represent the entire shale gas water lifecycle in one comprehensive system with the capability to analyze impacts and options for operational efficiency and regulatory tracking and compliance, and to plan for future water use and disposition. It will address all of the major water-related issues of concern associated with shale gas development in the target area, including water withdrawal, transport, storage, use, treatment, recycling, and disposal. It will analyze the costs, water use, and wastes associated with the available options, and incorporate constraints presented by permit requirements, agreements, local and state regulations, equipment and material availability, etc.

By using the system to examine the water management lifecycle from withdrawals through disposal, users will be able to perform scenario analysis to answer "what if" questions for various situations. The system will include regulatory requirements of the appropriate state and regional agencies and facilitate reporting and permit applications and tracking. These features will allow operators to plan for more cost effective resource production. Regulators will be able to analyze impacts of development over an entire area. Regulators can then make informed decisions about the protections and practices that should be required as development proceeds.

To ensure the success of this project, it has been segmented into nine tasks conducted in three phases over a three year period. The tasks will be overseen by a Project Advisory Council (PAC) made up of stakeholders including state and federal agency representatives and industry representatives. ALL Consulting will make the Lifecycle Water Management Module available on the Internet for the final year of the project.

In this, the fourth quarter of the second budget period, work was halted based on the March 18, 2011 budget availability; however project deliverables were submitted on time.

At the beginning of the Budget period, NETL provided funding for the project in the amount of \$142,798.00. The total amount authorized for the Budget Period is \$326,440.00. On January 31, 2011, ALL notified NETL that it would expend all of the available funds by March 18, 2011. NETL did not provide additional funds and work on the project stopped on March 18, 2011.

Results of Work During the Reporting Period

Approach

Task 5.0: ALL has developed the final system requirements based on the issues and needs identified in the first budget period. Data structure, including data fields, table structure and data table relationships, is included for each module. ALL is working with SRBC, DRBC, and other regulators to obtain access to their data in order for the agencies to be able to seamlessly use the system with their data. ALL is also working to create GIS layers that will work with each of the agencies' data and support data entry by industry users as well.

ALL is continuing to work to stay abreast of regulatory developments in the various jurisdictions within the project states. The model is expected to incorporate some of those regulatory elements that affect shale gas water management. ALL gathered regulatory information at the beginning of the project, in order to begin crafting the system. Many of the regulatory elements originally gathered have changed and new ones have been added. ALL will update the regulatory information included in the system and make any needed changes to the data structure when the system is first launched for review and again before the project ends.

At the beginning of the Budget period, NETL provided funding for the project in the amount of \$142,798.00. The total amount authorized for the Budget Period is \$326,440.00. On January 31, 2011, ALL notified NETL that it would expend all of the available funds by March 18, 2011. NETL did not provide additional funds and work on the project stopped on March 18, 2011.

Attached in Appendix A is the final system requirements and design specifications. This deliverable satisfies the requirements for Milestone 7, completed on April 30, 2011.

Task 7: Technology Transfer: ALL Consulting established a project web-site that is structured to provide updates to project team members, the PAC, and others. The project website can be accessed at http://www.all-llc.com/projects/shale_water_lifecycle/. In addition to a project overview and basic information about the project, the site has a page for the issues identified and page with a list of project-related reports, papers, and presentations. ALL will continue to update this site throughout the project and will use the site to distribute information to the PAC and solicit feedback. The site can also be accessed by the NETL project officer at any time as a way to follow the latest project activities and results.

As a result of the project presentation made for AIPG during the first budget period, ALL was contacted by the New York Water Environment Association (NYWEA) and asked to provide an article about the Lifecycle project for the NYWEA quarterly magazine, "Clearwaters." The article was published in the Winter 2010 issue (Vol. 40, No. 4). Because this is a subscription magazine, the magazine article is not available on-line, but ALL has requested a PDF of the article that can be posted on our project website and shared with NETL for posting if desired. Clearwaters' staff has indicated that the PDF will be made available, but as of the date of this report, the file has not been received.

Results

Based on work completed in the first Budget Period, the final system requirements and design for the Lifecycle model were created. This work will guide the actual programming and data entry required to construct the model.

Milestone Status Table

Budget Period/ Milestone No.	Milestone Description	Planned Completion Date	Actual Completion Date
I			
1	Completion of PMP	12/04/09	12/01/09
2	Completion of Technology Status Assessment	11/14/09	11/14/09
3	Develop project web-site	12/04/09	12/04/09
4	Completion of Initial Issue Analysis	03/30/10	03/29/10
5	Complete Site Visits	09/30/10	9/26/10
II			
6	Deliver topical report	10/30/10	10/29/10
7	Complete final system requirements and deliver topical report with final system requirements and design	4/30/2011	4/29/2011
8	Complete model development and internal company testing	9/30/2011	On-hold
9	Deliver draft operating water management modeling system for testing	9/30/2011	On-hold
III			
10	Deliver final operating water management model	3/31/2012	On-hold
11	Complete delivery of five conference papers and presentations	9/30/2012	On-hold

COST/PLAN STATUS

Baseline Reporting Quarter	YEAR 1 Start:10/01/09 End: 09/30/10				YEAR 2 Start: 10/01/10 End: 09/30/11				YEAR 3 Start: 10/01/11 End: 09/30/12			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<u>Baseline Cost Plan</u> (from SF-424A)												
Federal Share	114,998	114,998	114,998	114,998	81,619	81,619	81,619	81,619	64,652	34,546	34,546	34,552
Non-Federal Share	29,281	29,281	29,281	29,281	26,643	21,232	21,232	21,232	16,708	11,025	11,025	11,025
Total Planned (Federal and Non-Federal)	144,279	144,279	144,279	144,279	108,263	108,263	108,263	108,263	81,360	45,570	45,570	45,570
Cumulative Baseline Cost	144,279	288,558	432,839	577,115	108,263	644,912	749,655	854,398	935,758	1,017,118	1,098,478	1,179,838
<u>Actual Incurred Costs</u>												
Federal Share	140,061	14,462	106,276	199,129	66,053	76,745						
Non-Federal Share	1,260	40,000	12,858	77,858	0	0						
Total Incurred Cost- Quarterly (Federal and Non-Federal)	141,321	54,462	119,134	276,987	66,053	76,745						
Cumulative Incurred Costs	141,321	195,783	314,917	591,904	66,053	142,798						
<u>Variance</u>												
Federal Share	(25,063)	100,536	8,722	(84,131)	15,567	4,865						
Non-Federal Share	28,021	(10,719)	16,422	(48,578)	26,643	26,643						
Total Variance- Quarterly (Federal and Non-Federal)	2,958	89,817	25,145	(142,708)	42,210	32,509						
Cumulative Variance	2,958	92,775	117,919	(14,789)	42,210	73,708						

National Energy Technology Laboratory

626 Cochrans Mill Road
P.O. Box 10940
Pittsburgh, PA 15236-0940

3610 Collins Ferry Road
P.O. Box 880
Morgantown, WV 26507-0880

13131 Dairy Ashford, Suite 225
Sugarland, TX 77478

1450 Queen Avenue SW
Albany, OR 97321-2198

2175 University Ave. South
Suite 201
Fairbanks, AK 99709

Visit the NETL website at:
www.netl.doe.gov

Customer Service:
1-800-553-7681



Appendix A

DE-FE0000797

COMPREHENSIVE LIFECYCLE PLANNING AND MANAGEMENT SYSTEM FOR ADDRESSING WATER ISSUES ASSOCIATED WITH SHALE GAS DEVELOPMENT IN NEW YORK, PENNSYLVANIA, AND WEST VIRGINIA

System Overview:

After analyzing the known water management issues associated with Marcellus Shale development in the target area, a design of the Lifecycle Water Management Model was created based on user needs. In crafting the design, consideration was given to using readily available platforms that would facilitate creating and using the model as well as allowing future modifications by third parties. In addition, it was determined that the application would not be web-based in order to avoid data security issues for proprietary information. The system design includes modules and their interactions, input and output requirements, user interfaces, data structures, modeling requirements, development software, and hardware requirements.

System Requirements:

The following system requirements were developed through site visits and interviews with operators, regulators, and service companies. These requirements focused on planning and permitting management for water withdrawals, compliance tracking during the water lifecycle (source, transport, use, storage, treatment, and disposal), economic planning and management for volumes, costs, and influences on development strategies.

These requirements will provide an application to track the lifecycle/use of water in oil and gas processes for the Marcellus Shale development. Operators will have a means to plan for future water needs and manage available water and capacities to accomplish their goals of drilling and completing wells. The system would assist operators in meeting the goals in a timely (scheduling) and cost effective manner (focused only on water management costs). Additionally, the application will provide components that analyze the stored and updated data for compliance, reporting, projection and other planning and operational aspects.

The Well Drilling and Water Use Prognosis component will be used to estimate when wells will be drilled, the number of wells to be drilled, where they will be located, etc. In addition to tracking the wells to be drilled it will also track the estimated water needs for each well proposed in the prognosis as well as allowing the operator to estimate permitting and transportation costs based on various take-point scenarios. This component will facilitate the ability to track re-fractures as well.

System Design:

The system is designed to be used in both stand-alone and client/server installations. The stand-alone application would be downloaded and installed on a single work station, while the client server application would use a backend (XML database) installed on a centralized server and the applications installed on workstations are networked to the database. The client/server installation would allow larger companies with multiple workstations to coordinate plans ensuring that water from take-points or in impoundments is not committed to different wells by different in-house engineers.

The application is designed to consist of modules related to well drilling programs, water sourcing, transportation tracking, water treatment, water disposal, and program defaults. Using a “switchboard” menu screen, the model will track water through all phases of the water management lifecycle and will allow users to specify input parameters, objectives, schedules, etc. Each of the modules will interact by transferring results or parameters to the other modules as needed. A Program Defaults module will be created to house reference tables used to populate drop-

down boxes for default values that allow for data consistency and expert user interfaces which will help validate data entry and provide key tables for linking of data records. A maintenance user interface will allow for customization and updates of the data in the Program Defaults module.

Inputs and results will be stored in the database that each module will draw from for population of data in other modules. The database will be relational to the extent that each module will draw from common data elements and if new data needs to be collected for that module, then a user input form will be presented for data which will then store the data in the database. The model will allow users to input water volume needs in the sourcing module and see the expected water volume that will require re-use, discharge, or disposal at the end of the lifecycle. Scenario analysis will allow users to compare the effect on water needs of various alternatives such as pace of development, central vs. distributed facilities, and reuse vs. disposal or treatment options. A permit module will also be incorporated to allow tracking of planned and existing withdrawal permits. Tracked data elements will include, at a minimum, the permit number, the permit period, take point location, and permitted volumes.

An additional module will be provided to operators to have the ability to adjust well drilling programs easily in time by shifting start and end dates of proposed wells for scenario testing. For operator and regulatory support, the module will include the ability to add a proposed number of wells by watershed with a specified water need per well to assess water demand versus supply. This module will use GIS technology that will interface with agency data and GIS systems as well as providing GIS viewing capability independent of the agency systems. Safety factors will be built in on water take points to adjust maximum allowable withdraw and allow for the safety factors to be adjusted as needed.

This module will also allow, through the use of GIS technology, the ability for operators to determine the optimum placement of future take points and the optimum use of existing take-points. The system will calculate road-miles between pads and take points and will calculate a cost based on the truck trips required to provide the needed water to a given location.

The following is the base set of data components for each module (note: tables will have keys which enable linking to records in other modules to maintain data integrity and consistent query results):

- Well Drilling Program = listing of proposed wells to be drilled, structure the well data by well pad
 - Location (Long/Lat) – Group by Pad
 - List of Wells to be drilled from Pad
 - Estimated Water Needs
 - Drilling
 - Completion (HF)
 - Estimated time to start
 - Estimated time to TD
 - Estimated Completion Start and End Dates (HF) – May be multiple events
 - Water Transport Methods/Truck Hauling Capacity
 - Water Storage Capacity on Pad
 - Estimated Water Return Percentage (Provide application default but allow by well adjustment)

- Time of Water Return Production
 - Basin/Watershed
 - Default Program and Cost Data – Edit from program default
- Water Sources = listing of the water sources available to supply water to a well pad (Include storage facilities as a source, if a water source feeds a storage facility then its water may not be available for well delivery except through the storage facility)
 - Type of Water Source
 - Volume available (Permit Volumes – Daily Values)
 - Location of Source (Long/Lat)
 - Safety Factor on withdraw
 - Permit Restrictions
 - Permit Duration
 - Basin/Watershed
- Water Treatment Facilities = listing of water facilities where treatment can occur, these facilities may be included as water sources in the final design or provide links to vendors which have operations in the area of the target project
 - Type of Water Treatment Facility
 - Volume available to Treat (Permit Volumes – Daily Values)
 - Location of Facility (Long/Lat)
 - Basin/Watershed
 - Water Volume available as a source
- Water Disposal Facilities = listing of the available facilities where produced water or treatment reject can be disposed
 - Type of Facility
 - Volume/Capacity available to be disposed
 - Location of Facility (Long/Lat)
 - Basin/Watershed
- Trucks/Water Haulers = Available trucks that can be used to haul water
 - Number of Trucks of a particular size
 - Truck Size
 - Area Location of truck availability
- Program Defaults = Set of data elements that can be adjusted but provide default values for initial data entry and regional settings
 - Estimated Produced Water Return Percentage
 - Monthly Averaged Stream flow data by watershed – used to estimate take volumes for permits

- Default radial distance to consider water sources
- Costs
 - Upper limit cost of water per barrel for delivery to well
 - Transportation cost per mile per barrel of water
 - Trucking – Multiple trucks tracked by size of truck
 - Pipeline – Permanent
 - Pipeline – Temporary
 - Water Cost per Barrel by Type – Default values
 - Municipal
 - Surface Take Point
 - Groundwater
 - Water Treatment Cost per Barrel by Type – Default values
 - RO
 - Polish/Filter
 - Etc.
 - Water Disposal Cost per Barrel – Default values
 - Disposal Well
 - Commercial Treatment Facility
 - Waste Water Treatment Plant

Reports will be generated by the data stored in the database. The reports will either be specific to a module or may, at the user's discretion, be generated as a single report broken down by module. The reports will list inputs and results and will be available in a variety of formats (MS Excel, PDF, CSV or other common outputs).

The expected reporting outputs are as follows, however in the final development of the system these may be altered, such as combining reports and the addition of other data points or analysis.

- Plot of Estimated water need versus time based on drilling program (Not limited by Location, whole system)
- Plot of Estimated available water versus time based on water sources available to the operator (Not limited by Location, whole system, includes both fresh and produced water)
- Plot of Estimated water need versus time based on drilling program (Limited by Location/Selected Well(s)/Pad(s))
- Plot of Estimated available water versus time based on water sources available to the operator (Limited by Location/Selected Water Source(s) , includes both fresh and produced water)
- Plot of Combination of Estimated Need and Estimated Available water plots versus time – Identify discrepancies
- Report on Estimated Water Discrepancies based on water available to be delivered to site
- Report on Estimated Water Acquisition Costs by source (e.g. Groundwater, surface, municipal, or PW) on a per well/pad location basis and water need identified

- Report on Estimated Water Transportation Costs on a per well/pad location basis and water need identified
- Report on Estimated Water Volume Needs, Water Acquisition Cost, and Transportation Cost differences based on reuse of produced water
- Report on Estimated Water Disposal Needs versus time
- Report on Estimated Water Take Schedule from a Take Point based on Permit conditions and/or Contract (If stream take point consider permit conditions and stream flow restrictions)
- Report on Estimated Water Balance Summary (Whole System and by Well Pad)

System Architectural Technical Specifications:

Programming of the application will be based on Microsoft's dotNet studio which will allow for rapid application development and flexibility in making modifications. Additionally, using a dotNet development strategy will produce an application that is operating system agnostic. The application will be packaged in an '.exe' that the user will download and install through the use of a "wizard".

The XML database will be developed in accordance with the standards set forth by the W3C using XML 1.0 and Namespaces. For the stand alone installations the database will reside resident on the user's computer and for the client-server installation, the database will reside on a centralized server. Record locking and data integrity protocols will be enforced for the data sets.

Target User System Requirements

The following is the target workstation computer system required by the user to install and run the application. Please note that these requirements are common on computer systems purchased within the last few years, therefore the user bases' machines should have, at a minimum, a system that would support this application.

Computer Processor: 1 GHz or faster

Memory: 512 MB or more

Graphics (recommended): Enhanced graphics card with expanded video memory

Operating System (OS): Windows® XP with Service Pack 3 (SP3) 32-bit operating system only; Windows® Vista® with SP1; or Windows® 7 or later 32- or 64-bit OS.

Microsoft.Net: Framework 3.5

Microsoft and Windows are either registered trademarks or trademarks of Microsoft Corporation in the United States and/or other countries.