

Oil & Natural Gas Technology

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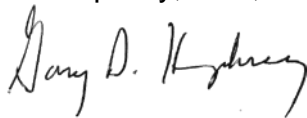
Quarterly Research Performance Progress Report (Period ending 9/30/2014)

PLANNING OF A MARINE METHANE HYDRATE PRESSURE CORING PROGRAM FOR THE WALKER RIDGE AND GREEN CANYON AREAS OF THE GULF OF MEXICO

Project Period (10/1/2012 – 12/31/2014 (based on granted extension))

Submitted by:

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Executive Summary

This research effort will focus on developing a site characterization program for naturally occurring gas hydrate deposits. It is based on experience gained from a number of previous expeditions that Fugro has conducted for industry and for various National Hydrate Programs. We will draw upon our experience from previous work and combine the objectives and site specific aspects of the planning into a comprehensive document that summarizes the best practices and best approaches. We have solicited organizations and academia outside of Fugro for participation in a Workshop to encourage open sharing of experiences and required R&D improvements to help guarantee success in the next field expedition.

Key issues identified for future research include:

- Develop a better understanding of the structure and properties of methane hydrate reservoirs
- Develop improved methodologies to select exploration targets (Topic 3 work)
- Develop improved ability to sample and test the hydrates in their natural state
- Develop improved technology and methodologies to extract and deliver the gas from hydrates to downstream facilities.
- To take the experience and knowledge gained from previous expeditions to help others be better prepared for future expeditions.

We have proposed the following approach; 1) Desktop Study to Prepare Detailed Plans and Recommendations for all Aspects of the Proposed Offshore Campaign (proposed advances in knowledge/technology), and 2) Prepare detailed plans of execution and make budgetary estimates for a future fieldwork program to collect the pressure cores including a recommended Scope of Work.

Accomplishments

- Continued to review related scientific/industry research efforts including attendance of the International Conference on Gas Hydrates (ICGH-8) in Beijing, China in July 2014.
- Continued updates to the PMP according to the new tasks identified (e.g. Workshop).
- Completed the development of a project execution plan (PEP) for the planning phase through the field work execution and reporting that will assist in identifying critical discussion points and critical cooperation items.
- PEP incorporates the lessons learned from our most recent hydrate expedition in the South China Sea for GMGS, as well as previous hydrate expeditions that Fugro have been involved with.
- Conducted additional planning sessions with Geotek (Peter Schultheiss) and J.A. Aumann & Associates, (Jim Aumann) and Tim Collett, (USGS) in person and by phone.
- Attended planning meetings with Geotek and other Fugro Data Acquisition Groups.
- Made plans for a peer review to follow the Workshop findings and make final recommendations.
- Updated preliminary list of Peer Review candidates.

Progress, Results, and Discussion Summary of technical progress

For this quarter, very minimal progress was made over this reporting period including those things listed above in the Accomplishments Section. Our main accomplishment was attendance at ICGH-8 and presentation of publications from the 2013 GMGS2 Campaign

We have advanced the plan for testing of the improvements to the tool based on issues identified during the GMGS program as well as the tests on a similar tool developed directly for DOE that were conducted in Catoosa, OK at the drilling research center facility. We have developed a testing plan in preparation of the Request for Quotation from GMGS for their third expedition to be held in 2015 in the South China Sea.

Review previous research projects

We continue to review the most recent marine hydrate expedition, GMGS China and to apply that experience and its teaching issues to this project.

Identify technical research concepts

The various research topics include:

- Development of safe drilling procedures for riserless drilling in known hydrate formations based on previous expeditions conducted by Fugro, ODP and IODP.
- Development of core quality measures for rotary pressure coring systems.
- Development of pressure core handling procedures and protocols to ensure best quality results.
- Development of prototype designs on a seabed template to allow control of the rate of penetration and weight on bit from the seafloor instead of the on the deck at the top drive level.

Future work in next reporting period

- We will finalize and report on the updated PMP.
- We plan to conduct a Peer Review of Project Workshop and liaise with our key collaborators.
- We will continue our work on the pressure core acquisition and quality issues based on the PMP and analysis of the recently completed work in the South China Sea for GMGS.
- We will continue our work on the pressure core analysis handling, timing and quality issues
- We will continue to work on safe drilling practices for hydrate bearing sediments using open-hole techniques.
- We plan to report the findings and recommendations from the Project Workshop.

Key References

Collett, T.S, et. al., USDOE/NETL Report Prepared by Consortium for Ocean Leadership, Project No. DE-FE0010195, Development of a Scientific Plan for a Hydrate-Focused Marine Drilling, Logging and Coring Program – **Historical Methane Hydrate Project Review**, June 2013

Campbell, K.J., Humphrey, G.D. and Little, R.L., "Modern Deepwater Site Investigation: Getting It Right the First Time" for the 2008 **Offshore Technology Conference** 06-May-08 in Houston, Texas. Paper No. 19535.

Humphrey, G.D., Schultheiss, P.J., Holland, M., "Borehole Pressure Coring and Laboratory Pressure Core Analysis for Gas Hydrate Investigations" for the 2008 **Offshore Technology Conference** held May 2008 in Houston, Texas. Paper No. 19601.

Scientific Drilling Magazine, "Wireline Coring and Analysis Under Pressure: Recent Use and Future Developments of the HYACINTH System", Article by Peter Schultheiss, Melanie Holland and Gary Humphrey, published in March 2009.

P.J. Schultheiss, Geotek Ltd.; J.T. Aumann, Aumann & Associates, Inc.; and G.D. Humphrey, Fugro GeoConsulting, Inc., " Pressure Coring and Pressure Core Analysis for the Upcoming Gulf of Mexico Joint Industry Project Coring Expedition " for the 2010 **Offshore Technology Conference** held May 2010 in Houston, Texas. Paper No. 20827.

E. Tervoort, J. Peuchen & G. Humphrey, Gas Hydrate Quantification By Combining Pressure Coring And In-Situ Pore Water Sampling Tools, **Proceedings of the 7th International Conference on Gas Hydrates (ICGH 2011)**, Edinburgh, Scotland, United Kingdom, July 17-21, 2011.

Changes or Problems

We recognized the need to incorporate additional collaborators outside of those listed in our original proposal back in 2012. The primary reason for this was a realization that additional expertise and experience outside of Fugro would prove to benefit the effectiveness of the study. The shift in the timeline has been communicated to the NETL project manager.

There are significant changes with the schedule for completion of the project as originally proposed. We do appreciate the granting of a “No-Cost Extension” for the project of nine (9) months which extended the completion date until end of December 2014. We, however do not believe that all the project objectives can be accomplished within this timeframe. Various personal reasons primarily with the PI’s health and other personal reasons together with other professional distractions have left a gap in the required effort to complete the project within the existing extension period. We have a resolution to this problem that will be identified in the next quarterly report for end December 2014.

Participants and Other Collaborating Organizations

	Gary D. Humphrey, Principal Investigator / Project Director, Fugro Employee Houston, Texas	Jim Aumann Salt Lake City, Utah	Dr. Peter Schultheiss, Technical Advisor, Geotek, Ltd. Employee United Kingdom
Nearest month worked	1	0	0
Collaboration outside USA	Discussion with offices in UK and The Netherlands	Worked with Fugro entities in UK and Holland to review performance on GMGS to establish baseline PEP	Discussion with offices in USA and The Netherlands
Travel outside USA	None this reporting period	None this reporting period	None this reporting period

Other Collaborating Organizations:

Oklahoma State University and Fugro GeoConsulting have agreed to share progress and results from their respective DOE research projects (DE-FE0009904 and Fugro project DE-FE0010160).

Fugro, Jim Aumann & Associates and Geotek all collaborated on the GMGS China Gas Hydrate field expedition for LWD, coring and pressure coring and in situ testing at several locations in the South China Sea. This work was completed on 08 September 2013.

Impact

The research findings from this project may potentially contribute to the US gas hydrate resource assessment but also international science and governmental organizations that are measuring gas hydrate exploration potential in Japan, Korea, China, India, Colombia, Brazil, Vietnam and New Zealand.

Additionally the findings from this project can also have the potential to aid imaging of sequestered CO₂ gas hydrate for greenhouse gas reduction if that technology advances.

Special Reporting Requirements

None identified this quarter and we appreciate the granting of the no-cost extension. We do, however, see slower progress than expected due to a number of unspecified reasons. We expect to have an interim reporting requirement based on the findings and recommendations post Workshop. However, these will be covered in subsequent quarterly reports. We plan to ask for another extension to complete the work outlined in this research program.

Budgetary Information

A cumulative total of \$116,249 has been spent of an allocation of \$578,850. The federal share of the costs incurred to date is \$92,999 and the cost sharing is \$23,250. We do count several meeting, contacts, and other efforts as being consistent with advancing the research project but these are not reflected in the budget spend to date.

Exhibit I - Milestone Status

- Milestone 1, Task 1 was completed November 14, 2012.
- Milestone 2 has been completed prior to December 2013.
- Completion Milestone was adjusted to 31 December 2014 based on the DOE approval of our no-cost extension, approved in Q1 2014. We will request an additional extension in 2015 due to lack of progress during the last half of 2014.
- We will continue to check the milestone status versus what has been updated in the PMP.

Exhibit 2 - Cost Plan (see next page)

Baseline Reporting Quarter	Budget Period 1															
	Q4 2012		Q1 2013		Q2 2013		Q3 2013		Q4 2013		Q1 2014		Q2 2014		Q3 2014	
	Q1	Cumulative Total	Q2	Cumulative Total	Q3	Cumulative Total	Q4	Cumulative Total	Q5	Cumulative Total	Q6	Cumulative Total	Q7	Cumulative Total	Q4	Cumulative Total
Baseline Cost Plan																
Federal Share	115770	115770	115770	231540	115770	347310	118080	465390	0	465390	0	465390	0	465390	0	465390
Non-Federal Share	28942.5	28942.5	28942.5	57885	28942.5	86827.5	29520	116347.5	0	116347.5	0	116347.5	0	116347.5	0	116347.5
Total Planned	144712.5	144712.5	144712.5	289425	144712.5	434137.5	147600	581737.5	0	581737.5	0	578850	0	578850	0	578850
Actual Income Cost																
Federal Share	2456	2456	3715	6171	6064	12235	7380	19615	44979	64594	8876	73470	12977	86447	6552	92999
Non-Federal Share	614	614	929	1543	1516	3059	1845	4904	11245	16149	2219	18368	3244	21612	1638	23250
Total Incurred Costs	3070	3070	4644	7714	7580	15294	9225	24519	56224	80743	11095	91838	16221	108059	8190	116249
Variance																
Federal Share	(113314)	(113314)	(112055)	(225369)	(109706)	(335075)	(110700)	(445775)	44979	(400796)	8876	(391920)	12977	(378943)	6552	(372391)
Non-Federal Share	(28329)	(28329)	(28014)	(56342)	(27427)	(83769)	(27675)	(111444)	11245	(100199)	2219	(97980)	3244	(94736)	1638	(93098)
Total Variance	(141643)	(141643)	(140069)	(281711)	(137133)	(418844)	(138375)	(557219)	56224	(500995)	11095	(487012)	16221	(470791)	8190	(462601)

Exhibit 3 – Actual Project Planning Workshop Participants

In order to capture the experience and knowledge from several hydrate expeditions previously conducted, we propose that a Workshop was conducted at the beginning of May 2014 to pull all of this experience together and establish a “Best Practices” outline or pathway to success. We have identified the following personnel that were included in the Workshop:

Professional's Name	Affiliation	Comments
Brian Ferri	Fugro	35 years+ drilling experience
Steve Brittain	Fugro	30 years+ experience with tool development and implementation on DW projects
Jeff Scott	Fugro	10 years+ drilling and vessel design experience
Jens Breinbjerg	Fugro	10 years+ project management experience on hydrate and DW projects
Michael Benting	Fugro	10 years+ project management and hydrate experience on DW projects
Pedro Regino	Fugro	15+ years of project management and 10+ years of hydrate experience on DW projects
Frank Gozeling	Fugro Holland	Senior Project manager with 30 years+ experience in offshore geotechnical operations and 10 years+ on hydrate project experience
Floris Tuynder	Fugro Holland	Equipment Designer and special consultant for Pressure Coring Systems since 2002.
Dan McConnell	Fugro	Geoscientist with 25 years+ experience also involved in JIP II and responsible for prospecting efforts to find massive sand deposits with hydrates indicated based on LWD work.
Luke Hamilton	Fugro UK	Drilling Manager for Fugro Seacore and offshore driller on two previous hydrate expeditions. 10+ years of offshore drilling experience.

Potential Peer Review Candidates for our Workshop:

Professional's Name	Affiliation	Comments
Tim Collett	USGS	World-wide expert on hydrates
Ray Boswell	US DOE / NETL	World-wide expert on hydrates
Richard Baker	US DOE / NETL	World-wide expert on hydrates
Michael Riedel	Canadian Geologic Survey	World-wide expert on hydrates
Brian Anderson	Univ. West Virginia	Expert Modeler for hydrates
Brad Clements	IODP	possibly Michael Storms
Koji Yamamoto	JOGMEC	Koji Yamamoto or others
Beong-jae Ryu	KIGAM	World-wide expert on hydrates
Scott Dallimore	Geologic Survey of Canada	World-wide expert on hydrates
Pushpendra Kumar	ONGC/DGH	World-wide expert on hydrates
Craig Shipp	Shell	Industry expert on hydrates

Exhibit 4 – Milestones Table

Milestone Title / Description	Planned Completion Date	Actual / Anticipated Completion Date	Verification Method	Comments (progress toward achieving milestone, explanation of deviation form Plan, etc)
Kickoff Meeting	11/5/12	11/5/12	Fugro participation in kickoff meeting and provision of Kickoff meeting presentation to DOE	Complete. Kickoff meeting held via web-ex on 11/5/12
Complete Coring Program Concept Evaluation	1/25/13	6/20/14	Provision of a mid-project report (task 3.4) to DOE documenting the coring program evaluation process and the resulting recommendation for full concept development.	We anticipate that upon completion of the Project Workshop this Milestone 2 will be completed including the vetting process
Complete Preliminary Coring Plan Definition	5/24/13	8/28/14	Provision of a preliminary version of the final report (task 5.1), to DOE, fully documenting the efforts and results of project efforts to define operational and scientific plans for a future hydrate-focused marine coring program.	Allowed time after the Peer Review vetting of the Workshop results in Milestone 2 to complete this Milestone
Recommendations and Reporting	6/7/13	12/23/14	<p>The Recipient shall, document and present to DOE, the full results of project efforts and shall make recommendation to DOE regarding most prudent options for a methane hydrate-focused pressure coring program.</p> <p>Task 5.1 - The Recipient shall prepare a preliminary version of the project final report fully documenting the efforts and results of project activity and deliver to DOE for review and consideration.</p> <p>Task 5.2 - The Recipient shall convene a meeting with DOE to review and present the results of the project as documented within the preliminary version of the project final report.</p> <p>Task 5.3 - Based on outcome of Task 5.2, The Recipient shall, if necessary, revise the content of the project Final Report</p>	Final reviewed and vetted report to be issued.

Exhibit 5 – Gantt Chart – Schedule

See attachment on following page.

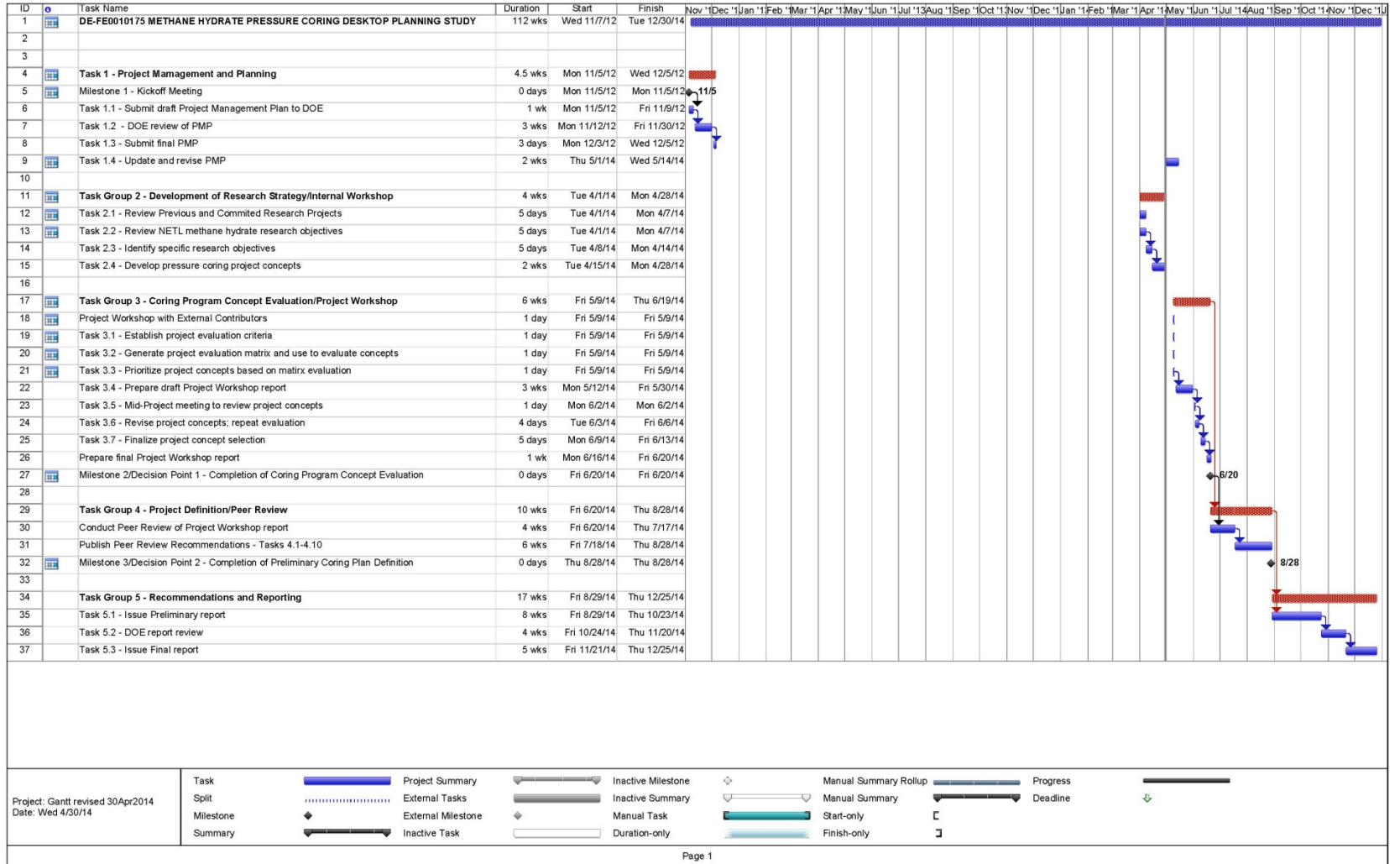


Exhibit 6 – Example Table of Contents (TOC) for Final Report

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- 8.6 Storage chambers for additional on-shore/post-cruise testing and experiments
- 9. **METHOD STATEMENT FOR CORE ANALYSIS (NON-PRESSURIZED AND PRESSURIZED CORES**
- 10. **POST CRUISE ACTIVITIES**
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- 12. **PERMITTING ISSUES/PROCEDURES**
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ILLUSTRATIONS FOLLOWING TEXT

	<u>Plate</u>
Detailed Location	

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