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July 25, 2022

Ms. Karlene Fine
Executive Director
North Dakota Industrial Commission
State Capitol, 14th Floor
600 East Boulevard Avenue, Department 405
Bismarck, ND 58505-0840

Dear Ms. Fine:

Subject: Quarterly Project Status Report Entitled "Improving EOR Performance Through Data Analytics and Next-Generation Controllable Completions"; Agreement No. G-050-97 EERC Fund 24377

Attached is a copy of the subject project status report for the period of April 1 through June 30, 2022.

If you have any questions, please contact me by phone at (701) 777-5120 or by e-mail at nazzolina@undeerc.org.

Sincerely,

Nicholas A. Azzolina

Nicholas A. Azzolina
Assistant Director for Applied Artificial Intelligence

NAA/rlo

Attachment

c/att: Brent Brannan, North Dakota Industrial Commission

IMPROVING EOR PERFORMANCE THROUGH DATA ANALYTICS AND NEXT-GENERATION CONTROLLABLE COMPLETIONS

Quarterly Project Status Report

(for the period of April 1, 2022, through June 30, 2022)

Prepared for:

Karlene Fine

North Dakota Industrial Commission
State Capitol, 14th Floor
600 East Boulevard Avenue, Department 405
Bismarck, ND 58505-0840

Agreement No. G-050-97

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July 2022

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EXECUTIVE SUMMARY

The Energy & Environmental Research Center (EERC) and project partners are conducting a project to field-test an advanced machine learning approach integrating controllable completions (interval control valves [ICVs]) to enable active well control during carbon dioxide (CO_2) enhanced oil recovery (EOR). The CO_2 EOR pilot test will be conducted in Denbury Onshore, LLC's (Denbury's) Cedar Hills South Unit (CHSU) Field, which is part of the Cedar Creek Anticline located in southwestern North Dakota. The project goals are to 1) implement controllable completions through a rigorously monitored field test in a reservoir that has undergone primary and secondary recovery but has yet to pursue tertiary recovery, 2) apply advanced data analytics and machine learning to evaluate the test performance and develop a semiautonomous active control system, and 3) assess various business case scenarios to accelerate the development and application of this system for commercial EOR.

The project is currently scheduled to be accomplished over three budget periods (BPs) – BP1: October 1, 2019 – July 31, 2022; BP2: August 1, 2022 – July 31, 2024; and BP3: August 1, 2024 – September 30, 2025. A go/no-go decision point will follow BP1, contingent upon the successful deployment and testing of the controllable completion technology. The project is organized into five tasks – Task 1: Project Management, Planning, and Reporting; Task 2: ICV Pilot Systems Design; Task 3: Operation and Monitoring; Task 4: Active Control System Development; and Task 5: Business Case Development. Task 4 and 5 activities do not start until BP2; therefore, this quarterly summary describes accomplishments achieved within Tasks 1, 2, and 3 over the preceding calendar quarter and reports the status of project milestones or deliverables in accordance with the project management plan (PMP).

On April 22, 2022, the EERC requested no-cost extensions to the end of BP1 from July 31, 2022, to January 31, 2024, to the end of BP2 from July 31, 2024, to January 31, 2026, and to the end of BP3 from September 30, 2025, to March 31, 2027. The technical justification that accompanied the EERC's April 22 request described the unprecedented COVID-19 pandemic resulting in supply chain interruptions coupled with operational and macroeconomic conditions that impacted the availability of rigs, tangibles, and field services. In addition, the technical justification outlined a proposed path forward. On June 7, 2022, the U.S. Department of Energy (DOE) issued a draft memorandum to the EERC stating that DOE had reviewed the materials provided by the EERC in support of the proposed no-cost extensions and recommended that the requested scheduling changes be approved. However, in its June 7, 2022, draft memorandum, DOE's National Energy Technology Laboratory (NETL) added the requirement that "as a risk mitigation measure, NETL is requiring that EERC demonstrates that the well will be accessible to total depth following well repair activities. Once it is demonstrated that the well will be accessible and usable for the installation and proper testing of the interval, only then, can fabrication of the ICV system be ordered by EERC. NETL will determine the adequacy of these

repair processes." The EERC continues to engage with its partners to address the risk mitigation measure that DOE requested with concurrent consideration of the ongoing supply chain and lead time challenges that the project continues to face.

Since the EERC's April 22 request, technical work on the project has been placed on hold. ICV cost and lead time continue to increase because of ongoing COVID-19 and related supply chain challenges. The EERC is working with Denbury to engage alternate technology providers to evaluate the potential to design, fabricate, and install a mechanical (instead of an electrically actuated) ICV system. The mechanical ICV system, while different in how the valves are physically cycled between open and close, will provide the functionality to meet the project objectives and be able to do so with costs and lead times more aligned with the originally proposed ICV system. This approach is not anticipated to increase or change DOE costs/funding required to execute the project. In addition, Denbury is developing cost estimates for (i) a sidetrack from the existing proposed injection well to provide a "cleaner" lateral and (ii) plugging the existing injection lateral. The sidetrack is being considered to maximize the likelihood of achieving the well accessibility requirement, and the existing lateral would likely be plugged before drilling a new lateral. Denbury needs to secure additional approvals from the business unit team and executive management regarding the extended delay of injection of CO_2 into the ICV pilot pattern to accommodate the sidetrack and ICV installation. Denbury has already delayed converting the CHSU-43-18NH-15 well into a CO_2 injector because of this project. The previously approved authorization for expenditure for injection well cleanout must be updated to accommodate the additional costs that Denbury would incur because of plugging the injection well's existing lateral and drilling a sidetrack. Seeking an alternative vendor for flow control devices and pursuing a sidetrack well are intended to improve the likelihood of project success and its timeline.

The EERC is working with Denbury and DOE to develop a revised project timeline and set of recommendations to successfully accomplish the goals and objectives of the project. The EERC anticipates submitting a revised statement of project objectives and PMP in the next quarter.

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INTRODUCTION

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- Task 1 – Project Management, Planning, and Reporting
- Task 2 – ICV Pilot System Design
- Task 3 – Operation and Monitoring
- Task 4 – Active Control System Development
- Task 5 – Business Case Development

Task 4 and 5 activities do not start until BP2; therefore, this quarterly summary describes accomplishments achieved within Tasks 1, 2, and 3 over the preceding calendar quarter and reports the status of project milestones or deliverables in accordance with the project management plan (PMP).

ACCOMPLISHMENTS

Task 1.0 – Project Management, Planning, and Reporting

The objectives of Task 1.0 are for the EERC to manage and direct the project in accordance with the PMP to meet all technical, schedule, and budget objectives and requirements. Significant accomplishments for Task 1.0 during the reporting period include the following:

- Throughout the reporting period, the EERC participated in several project update meetings with Denbury and NCS Multistage, LLC (NCS).

- Additional details are provided under "Changes/Problems."

Next steps to accomplish the goals under Task 1.0 include the following:

- Progress on project milestones and deliverables will continue to be tracked (see Tables 1 and 2).

Task 2.0 – ICV Pilot System Design

Task 2.0 includes four subtasks: 1) screening and selection of a test pattern, 2) field and laboratory characterization of the test pattern, 3) baseline modeling and simulation to support the preliminary pilot design, and 4) pilot design. The four subtasks within Task 2.0 will result in a final pilot design that will be implemented in Task 3.0. Significant accomplishments for each subtask within Task 2.0 during the reporting period are detailed below.

Table 1. Milestone Status Report

Milestone (M) Number	Milestone Description	Planned Completion Date	Actual Completion Date	Verification Method	Comments
M1	Screening and Selection of Pilot Test Pattern Complete	01/31/20	11/30/19	Reported in subsequent quarterly report	Completed
M2	Field Characterization Activities Complete	01/31/22		E-mail verification to DOEPM*	Revised date based on NCTE**
M3	Laboratory Characterization Activities Complete	10/31/20	10/20/20	Reported in subsequent quarterly report	Revised date based on NCTE
M4	ICV Installation and Initial Testing Complete	07/31/22		Reported in subsequent interim report	Revised date based on NCTE
M5	Tracer Study Initiated	03/31/23		E-mail verification to DOE PM	Revised date based on NCTE
M6	Initial Active Control System Design Complete	07/31/23		Reported in subsequent quarterly report	Revised date based on NCTE
M7	Active Control System Design Complete	07/31/24		Reported in subsequent interim report	Revised date based on NCTE
M8	Geologic Model Complete	07/31/24		Reported in subsequent quarterly report	Revised date based on NCTE
M9	Transfer of Operational Ownership of ICV Pilot to Field Operator Initiated	05/01/25		E-mail verification to DOE PM	Revised date based on NCTE
M10	Numerical Simulation Complete	07/31/25		Reported in subsequent quarterly report	Revised date based on NCTE

* Project manager.
** No-cost time extension.

Table 2. Project Deliverables

Deliverable (D) Number	Deliverable Description	Planned Completion Date	Actual Completion Date	Verification Method	Comments
D1	Updated PMP	02/26/20	02/25/20	PMP file submitted	Completed
D2	Workforce Readiness Plan	11/01/20	09/28/20	Plan submitted	Completed
D3	Data Management Plan	01/27/20	12/18/19	Plan submitted	Completed
D4	Interim Field Performance Summary Report	02/28/24		Summary report submitted	Revised date based on NCTE
D5	Business Cases for Commercial Deployment of ICV Systems for Managing EOR Performance	03/31/25		Final technical report submitted	Revised date based on NCTE
D6	Development Strategy Plan	07/31/25		Plan submitted	Revised date based on NCTE
D7	Data Submitted to NETL* EDX**	09/30/25		Data uploaded to EDX	Revised date based on NCTE

* National Energy Technology Laboratory.
** Energy Data eXchange.

Subtask 2.1 – Screening and Selection of Test Pattern

As described in the April 2020 quarterly summary, the project team identified wells that met a set of screening criteria, and a final selection was made for the pilot test. The candidate injection well was selected: CHSU-43-18NH-15 (API 3301101001). The selection of a candidate injection well satisfies M1 – Screening and Selection of Pilot Test Pattern Complete, and Subtask 2.1 is complete.

Subtask 2.2 – Characterization

Laboratory Characterization

As described in the October 2020 quarterly summary, laboratory analyses of core plug samples of the Red River "B" main pay zone interval are complete (Milestone [M] 3 – Laboratory Characterization Activities Complete), and no additional laboratory activities are planned for the project.

Field Characterization

Well logging: The project team finalized the logging plan for the injection well, and the planned logging tools currently include Schlumberger's ThruBit quad-combo suite (gamma ray, induction, neutron porosity, density, and dipole sonic) and fullbore formation microimager (FMI). The revised field schedule anticipates conducting well logging in Quarter (Q) 3 2023. The fieldwork will include a well cleanout with a larger workover rig than the October 2020 field event and will be immediately followed by ThruBit logging.

Baseline 3D seismic: A baseline three-component, three-dimensional (3C3D) seismic survey was acquired from the test pattern area November 1–14, 2020. Processing of the acquired 3C3D seismic data is complete. IHS Kingdom and OpendTect Pro software packages were used to derive attributes from the seismic survey. These attributes include curvature, curvedness, similarity, variance, dip azimuth, and chaotic reflection. The seismic attributes have been imported and integrated into a Petrel project for use with Petrel's "ant-tracking" algorithm. The ant-tracking algorithm was used to further illuminate features that could be used to model a potential fracture network within the Red River Formation and zone of interest. The initial seismic-based fracture analysis was completed, with plans to integrate with additional field characterization data (i.e., FMI and dipole sonic) to ground-truth fracture patterns interpreted from the baseline 3D seismic attribute extractions.

Subtask 2.3 – Baseline Modeling

Baseline Geomodel

The full-field geologic model (geomodel) was clipped to the test pattern area to create a sector model for the reservoir simulations. The reservoir matrix and fracture properties of the current sector model reflect the broader full-field geomodel (Baseline Geomodel Version 1). The matrix and fracture properties will be updated after completion of the field characterization (Baseline Geomodel Version 2).

Baseline Reservoir Simulations

Using the Baseline Geomodel Version 1, an initial pattern-level STARS model was developed to study flow behavior in the pilot test pattern (STARS Version 1). The model includes one water/CO_2 injector (Well CHSU-43-18NH-15) and two offset producers (CHSU-13D-17NH-15 and CHSU-33B-18NH-15). The production and injection data of the three wells were processed and integrated into the simulation model. The reservoir simulations are using the Computer Modelling Group (CMG) module, FlexWell, within STARS to segment the injection well into zones using FCDs. The FCD zones will mirror the ICV system that will be deployed into the injection well.

An embedded discrete fracture model (EDFM) technique is being used to model natural fractures in the reservoir. The preliminary pattern-level reservoir simulations using Baseline Geomodel Version 1 assume a stochastic fracture network. The stochastic fracture network was converted into fractured grids using SimTech LLC's EDFM software and integrated into the STARS simulation model (STARS Version 2).

Next steps: After completion of the field characterization, the Baseline Geomodel Version 1 will be updated to Baseline Geomodel Version 2. At that time, the STARS Version 2 model will be updated to reflect the updated matrix and fracture properties observed in the test pattern area (STARS Version 3). The STARS Version 3 model will then be used for additional reservoir simulations under Subtask 2.3 and for the Task 5.0 scope of work.

Subtask 2.4 – Pilot Design

The project team has adapted the NCS Qumulus™ ultimate recovery system to accommodate a horizontal injection well and site-specific wellbore considerations. The current ICV pilot system design for the injection well includes 4.5-inch, 12.6-pound tubing (upper section) and 2⅞-inch, 6.4-pound tubing (lower/horizontal section).

Task 3.0 – Operation and Monitoring

Task 3.0 entails installation and testing of the pilot design and the operation and monitoring of the ICV system. The objectives of Task 3.0 are to 1) install a set of up to ten ICVs into the CO_2 injection well and evaluate performance of virtual ICV applications to the offset production wells; 2) execute a tracer study using ICV interval-specific tracers to quantify connectivity within the reservoir and inform the subsequent operational designs; and 3) operate the ICVs and quantitatively show that the deployment of the ICVs can reduce premature breakthrough of injected fluids, increase CO_2 sweep efficiency, and improve incremental production. There is no activity to report over the reporting period.

Next steps: The objectives of Task 3.0 will be completed through two subtasks: Subtask 3.1 – Install and Test Systems and Subtask 3.2 – System Operation and Monitoring. The initiation of Subtask 3.2 is contingent upon the successful go/no-go decision point to move from BP1 into BP2.

PRODUCTS

Nothing to report.

CHANGES/PROBLEMS

On April 22, 2022, the EERC requested no-cost extensions to the end of BP1 from July 31, 2022, to January 31, 2024, to the end of BP2 from July 31, 2024, to January 31, 2026, and to the end of BP3 from September 30, 2025, to March 31, 2027. The technical justification that accompanied the EERC's April 22 request described the unprecedented COVID-19 pandemic resulting in supply chain interruptions coupled with operational and macroeconomic conditions that impacted the availability of rigs, tangibles, and field services. In addition, the technical justification outlined a proposed path forward. On June 7, 2022, DOE issued a draft memorandum to the EERC stating that DOE had reviewed the materials provided by the EERC in support of the proposed no-cost extensions and recommended that the requested scheduling changes be approved. However, in its June 7, 2022, draft memorandum, DOE's National Energy Technology Laboratory (NETL) added the requirement that "as a risk mitigation measure, NETL is requiring that EERC demonstrates that the well will be accessible to total depth following well repair activities. Once it is demonstrated that the well will be accessible and usable for the installation and proper testing of the interval, only then, can fabrication of the ICV system be ordered by EERC. NETL will determine the adequacy of these repair processes." The EERC continues to engage with its partners to address the risk mitigation measure that DOE requested

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The EERC is working with both Denbury and DOE to develop a revised project timeline and set of recommendations to successfully accomplish the goals and objectives of the project. The EERC anticipates submitting a revised statement of project objectives and PMP in the next quarter.

SPECIAL REPORTING REQUIREMENTS

Nothing to report.

PARTNERS AND FINANCIAL INFORMATION

This project is sponsored by the North Dakota Industrial Commission (NDIC), DOE, CMG, and Schlumberger. Table 3 shows the total budget of $9,997,024 for this project and expenses through June 30, 2022.

Table 3. Project-to-Date Financial Report as of June 30, 2022

Funding Source	Cash	In-Kind	Project Total	Expenses to Date
NDIC	$500,000	$0	$500,000	$94,930
DOE	$7,997,077	$0	$7,997,077	$1,854,223
CMG	$0	$733,304	$733,304	$733,304
Schlumberger	$0	$766,643	$766,643	$508,350
Total	**$8,497,077**	**$1,499,947**	**$9,997,024**	**$3,190,807**