



Balmain 1 Interpretive Summary

Kyalla Interval

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PETROLEUM GEOCHEMISTRY

INTRODUCTORY NOTE

A geochemical investigation has been conducted to assess hydrocarbon prospectivity of the Kyalla, Formation in the Balmain 1 well located in the Beetaloo Sub-Basin, Northern Territories, Australia. Five (5) core chip samples from this well were analyzed by a variety of geochemical techniques, including total organic carbon (TOC, LECO®) and programmed pyrolysis (SRA). In addition, client supplied published geochemical data for 21 samples were also incorporated into the interpretive evaluation. The complete results of these analyses are documented in this report along with an integrated geochemical interpretation that is summarized in the following table.

Well Name	Formation	Main Product	Thermal Maturity	Source Rock Richness	Organic Matter Type	Shale Oil Risk
Balmain 1	Kyalla	<i>Estimated Original</i> →		Good (1.94% TOC)	Oil-prone Type I/II	Moderate
		Measured Currently →	Minor Oil Early Oil Window	Good (1.32% TOC)	Oil-prone Type II	

Current TOC averages represent all data available; Original TOC averages are only high graded samples that have PPy data

Table 1. Geochemical Summary

KYALLA

Five (5) samples from the Kyalla Formation were analyzed for LECO TOC content and programmed pyrolysis, with the remaining data set (21 samples) composed of client supplied public data (Fig. 1). TOC contents ranged from 0.15 to 4.29 wt.% and averaged 1.32 wt.% (good). Fourteen (14) samples have TOC content above the minimum requirement of 1 wt.% for *effective* petroleum source rocks, while seven (7) samples have TOC content above the minimum requirement of 2 wt.% for *economic* petroleum source rocks. Highest TOC content was found near the middle of the designated Kyalla interval (983.94 m depth) (Fig. 1), although the upper portion of this interval was sparsely sampled. There are three distinct maxima in TOC within the middle section of the Kyalla Formation in this well (Fig. 1).

The S1 values of the Kyalla source rock samples average 1.08 mg HC/g rock (24 bbl oil/acre-ft) and the S2 values average 8.29 mg HC/g rock (182 bbl oil/acre-ft). The S1 and S2 values imply fair to good in-situ hydrocarbon saturation and good remaining generative potential (Fig. 1). The normalized oil contents (NOC) in the Kyalla samples, (S1/TOC) x 100, average 62 (Fig. 1). NOC values of 20 to 50 are typical of low maturity source rocks, whereas values of 50 to 100 indicate possible oil staining or shows in thermally mature, tight petroleum source rocks. NOC > 100 are often associated with conventional oil reservoirs and indicate good prospectivity in unconventional shale oil plays. Jarvie (2012) has utilized a depth comparison of TOC versus programmed pyrolysis S1 yields as a potential indicator of producible hydrocarbon saturation in unconventional source rocks. When the S1 yields (reported as mg HC/g rock) exceed or “cross-over” the measured TOC content (reported as wt.%), this would be interpreted to represent zones with good potential for containing producible hydrocarbon saturation (or zones of possible contamination). In the present study, S1 crosses over TOC at 965.6 and 1018.7 m and there are several samples that fall just below this threshold value (Fig. 1).

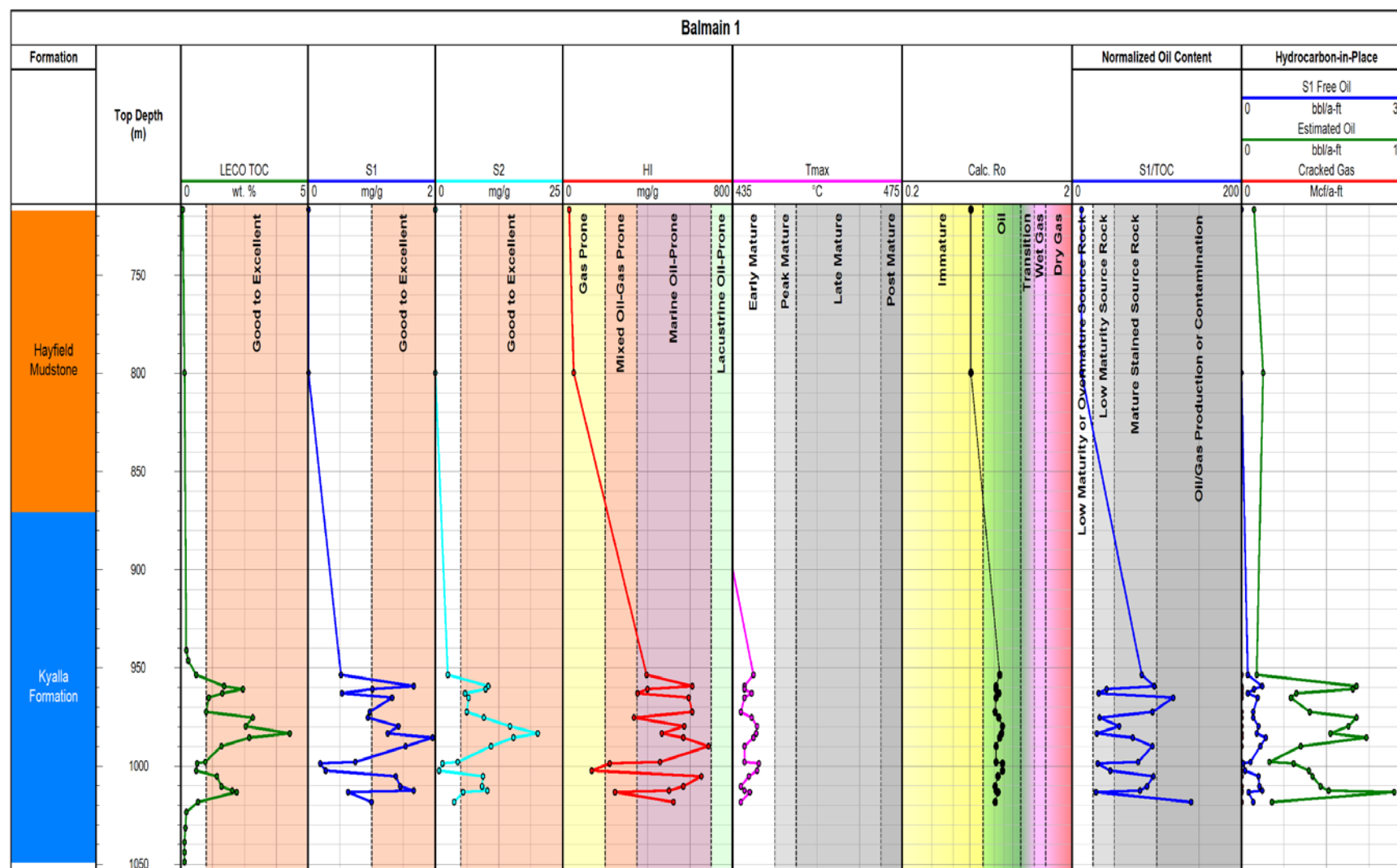


Figure 1. Geochemical depth plots for the Balmain 1 well.

The measured Hydrogen Index (HI) values in the Kyalla average 471 mg HC/g TOC, indicating oil-prone Type II kerogen quality in these source rocks at present day. This is somewhat higher compared with elemental analyses of select kerogen samples from the Kyalla that have average H/C ratios of 1.07, which is typical for mixed Type II/III kerogen. Original HI_o of these samples are estimated to average 588 mg HC/g rock, which indicate oil-prone Type I/II kerogen. Transformation Ratios (TR) based upon HI are 38%, which suggest an immature to early oil window thermal maturity. The T_{max} values in the Kyalla samples average is 439°C. T_{max} between 435 and 445°C typically indicate peak oil window, while values between 425 and 435°C are considered to be in the early oil window (Type II kerogen). On the basis of these guidelines, the average Kyalla T_{max} values in this well would be interpreted to be in the peak oil window. Using the formula published by Jarvie et al. (2007) for Type II kerogen (Calculated $R_o = (0.0180)(T_{max}) - 7.16$), the measured T_{max} value of 439°C is equivalent to a Calc. % R_o value of 0.74%. It is important to note that T_{max} is only a crude measure of thermal maturation (Peters, 1986) and it can be compromised by a variety of pyrolysis artifacts and caveats.

The Production Index (PI) values in the Kyalla samples average 0.13. These moderate PI values are consistent with source rocks in the early oil window, which typically have PI values in the range of 0.10 to 0.15.

The thermal maturity of the Kyalla source was also evaluated by measured Kübler Index values from XRD, which are based upon illite crystallinity. These values can be used as maturity indicator when samples contain sufficient high quality clays (Abad, 2008). Five (5) samples from the Kyalla Formation (avg. 59% clays) have an average measured Kübler Index of 0.175, which is equivalent to a measured vitrinite reflectance of > 4% (late stage metagenesis). This interpretation is inconsistent with other geochemical maturity ratios evaluated in this study and suggests the Kübler Index should be used with caution to evaluate thermal maturity in Mesoproterozoic aged source rocks.

ORIGINAL GENERATIVE POTENTIAL AND HYDROCARBON YIELD CALCULATIONS

Petroleum generative capacity depends on the original quantity of organic matter (TOC_o) and the original type of organic matter (HI_o) (Peters et al., 2005, p. 97). The petroleum generation process has likely decreased the remaining generative potential as measured by TOC_{pd} and HI_{pd} in the Kyalla source rocks examined in this study. We can estimate the extent of the petroleum generation process, the volume of expelled oil and the expulsion efficiency by making some reasonable assumptions based on the core geochemical data and published regional information (Jarvie et al., 2007; Peters et al., 2005).

HI_o values can be computed from visual kerogen assessments and assigned kerogen-type HI_o average values using the following equation (Jarvie et al., 2007):

$$HI_o = \left(\frac{\% \text{Type I}}{100} \times 750 \right) + \left(\frac{\% \text{Type II}}{100} \times 450 \right) + \left(\frac{\% \text{Type III}}{100} \times 125 \right) + \left(\frac{\% \text{Type IV}}{100} \times 50 \right) \quad (1)$$

This equation requires the input of maceral percentages from visual kerogen assessment of a source rock. For the present study, only limited kerogen data were available. Where available, these kerogen data sets were used. In the absence of other measured kerogen data original kerogen type were interpreted in the context of measured present day TOC, HI and OI values to arrive at an appropriate kerogen mix for each sample examined in this investigation. All samples were modeled using appropriate kerogen mix to maintain an appropriate transformation ratio consistent with the interpreted thermal maturity. The average maceral percentage in the various formations evaluated in the current study are shown in Table 2, along with the resultant average original HI_o values calculated using equation (1) above. The kerogen estimations used in this study are generally in agreement with other published values that suggest Type II to a mixed Type I/II kerogen assemblage (Law et al., 2010; Crick et al., 1988; Taylor et al., 1994).

Formation	%Type I 750 HI _o	%Type II 450 HI _o	%Type III 125 HI _o	%Type IV 50 HI _o	HI _o
Kyalla	46	54	0	0	588

Table 2. Average Kerogen Estimations for Balmain 1 well.

The extent of the petroleum-generation process, or transformation ratio (TR) which is also called fractional conversion, is calculated as follows (Jarvie et al., 2007, p. 497):

$$TR_{HI} = 1 - \frac{HI_{pd}[1200 - HI_o(1 - PI_o)]}{HI_o[1200 - HI_{pd}(1 - PI_{pd})]} \quad (2)$$

HI_{pd} and PI_{pd} are the measured HI and PI values for the various source rock samples in this well. The average HI_{pd} and PI_{pd} for the formations evaluated in the current study are shown in Table 3. HI_o and PI_o are the original HI and PI values for immature organic matter in the rocks. For this calculation using the assumptions described previously results in an average HI_o values of 588 mg HC/g TOC (Table 2). We assume a PI_o of 0.02 (see Peters et al., 2005). Using these values in equation 2, the extent of fractional conversion of HI_o to petroleum is 0.38 (Table 3), i.e., on average an estimated 38% of the petroleum generation process has been completed.

The original TOC_o in the source rocks before burial and thermal maturation is constrained by mass balance considerations as follows (corrected from Jarvie et al., 2007):

$$TOC_o = \frac{HI_{pd} \left(\frac{TOC_{pd}}{1+k} \right) (83.33)}{\left[HI_o(1 - TR_{HI}) \left(83.33 - \left(\frac{TOC_{pd}}{1+k} \right) \right) \right] + \left[HI_{pd} \left(\frac{TOC_{pd}}{1+k} \right) \right]} \quad (3)$$

In this equation k is a correction factor based on residual organic carbon being enriched in carbon over original values at high maturity (Jarvie et al., 2007, p. 497). For Type II kerogen the increase in residual carbon C_R at high maturity is assigned a value of 15% (whereas for Type I, it is 50%, and for Type III, it is 0%) and the correction factor k is then TR_{HI} × C_R. The kerogen mix for each individual sample was used in this calculation.

Using equation 3, the estimated original TOC_o for the Kyalla source rock samples in this well before petroleum generation average 1.94 wt.% (Table 3).

The original generation potential S2_o can be calculated using the following equation:

$$S2_o = \left(\frac{HI_o \times TOC_o}{100} \right) \quad (4)$$

For the Kyalla source rocks examined in the Balmain 1 well, the average S2_o values are 11.4 mg HC/g rock or approximately 250 bbl/acre-ft (multiply S2_o by 21.89 to calculate barrels/acre-ft, Jarvie and Tobey, 1999) (Table 3).

Knowing the measured remaining generation potential S2 from programmed pyrolysis and using the calculated original generation potential S2_o enables a determination of the amounts of hydrocarbons generated. A VR_o algorithm can then be applied to estimate fractional oil cracking thereby converting yields to estimated oil and cracked gas (reported as Mcf/acre-ft or thousand cubic feet/acre-ft).

$$\text{Original (S2}_o\text{)} - \text{Remaining (S2)} = \text{Generated HCs} \quad (5)$$

Using this methodology for the Kyalla samples analyzed in the current study, the estimated generated oil yields average 69 bbl/acre-ft (Table 3).

Formation	TOC _{pd}	HI _{pd}	S2 _{pd} bbl/a-ft	HI _o	TR	TOC _o	S2 _o bbl/a-ft	S1 Free Oil bbl/a-ft	Est. Oil bbl/a-ft	Cracked Gas Mcf/a-ft
Kyalla	1.73	471	182	588	0.38	1.94	250	24	69	0

Table 3. Hydrocarbon Yields average data for Balmain 1 well.

For shale oil systems, the amount of hydrocarbons (oil + gas) expelled from the rocks can be estimated as the difference between the amount of residual oil measured via programmed pyrolysis (S1) and the amount of estimated generated hydrocarbon yields determined above (equation 5). The expulsion efficiency (ExEf) can then be calculated as a direct proportion of the measured retained oil saturations and the average generated hydrocarbon yields. Thus, the resulting expulsion efficiency for the Kyalla interval is 66%, which is consistent with a source rock in the early to peak oil generation window.

The Kyalla source rock interval in the Balmain 1 well is interpreted to be in the early oil window and hydrocarbon yield calculations suggest minor to moderate amounts of generation have occurred (predominantly oil with some associated gas). From an exploration risk perspective, this is generally favorable. However, it is useful to relate these hydrocarbon yields to other productive unconventional US Shale plays (Table 4). In doing so, the potential critical value is not necessarily the generated oil and gas yields, but also the original (S2_o) generation potential of the source rocks. These values related to the ultimate volumes of hydrocarbon that could be generated at depth in the basin. For the Kyalla Formation, original generation potential (S2_o) averages 250 bbl oil/acre-ft, this is below all of the other formations on the list of unconventional US Shale plays shown below.

Sample Database Averages TOC >1%	HI ^o mg/g TOC	TR	TOC ^o wt%	S2 ^o mg/g Rock	Remaining Potential bbl/a-ft	Original Potential bbl/a-ft	Oil Cracked %	S1 Free Oil bbl/a-ft	Estimated Oil bbl/a-ft	Cracked Gas Mcf/a-ft
Barnett Shale Ft. Worth Basin	435	0.84	5.38	23.40	94	513	0.40	33	251	1005
Barnett Shale Delaware Basin	435	0.91	5.25	22.84	52	500	0.80	32	90	2149
Woodford Shale Delaware Basin	480	0.89	6.41	30.79	139	674	0.89	46	60	2854
Haynesville Shale E. Texas Basin	400	0.98	3.93	15.73	7	344	1.00	3	0	2022
Fayetteville Shale Arkoma Basin	435	0.95	3.34	14.53	15	318	1.00	10	0	1820
Woodford Shale Arkoma Basin	520	0.87	5.15	26.80	12	587	0.70	87	170	2431
Eagle Ford Shale Gulf Coast Basin	520	0.85	3.19	16.61	61	364	0.47	22	161	848
Marcellus Shale Appalachian Basin	600	0.97	6.44	38.66	34	847	1.00	24	0	4875
Utica Shale Appalachian Basin	450	0.98	2.74	12.32	6	270	1.00	12	0	1585
Barnett Shale Oil	450	0.47	5.47	24.64	326	540	0.00	79	213	0
Barnett Shale Gas	450	0.96	5.58	25.13	23	550	0.87	7	68	2751
Kyalla	588	0.38	1.94	11.43	182	250	0.00	24	69	0

Table 4. Geochemical Properties and Generation Potential for US Shale plays and current study.

UNCONVENTIONAL OIL & GAS RISK ASSESSMENT

The Mesoproterozoic Kyalla Formation source rocks in the Balmain 1 well have been evaluated for unconventional oil and gas potential. These source rock samples are presented in a modified geochemical risk assessment diagram (Fig. 2) based upon published results from the Barnett Shale in the Fort Worth Basin. The data illustrated in the star plot represents average values for three of the four diagnostic ratios (measured R_o values not available). Also shown are the recommended areas for unconventional oil (in green) and gas (in red). Data that lies above the minimum threshold and within the shaded areas indicates samples with low geochemical risk for either thermogenic oil or gas production. Data that lie below the minimum threshold and fall in the immature region (in gray) indicate a high risk for commercial shale oil or gas production. Transformation ratios (TR) were calculated based upon H_I estimates using measured and interpreted fractional composition of kerogen macerals.

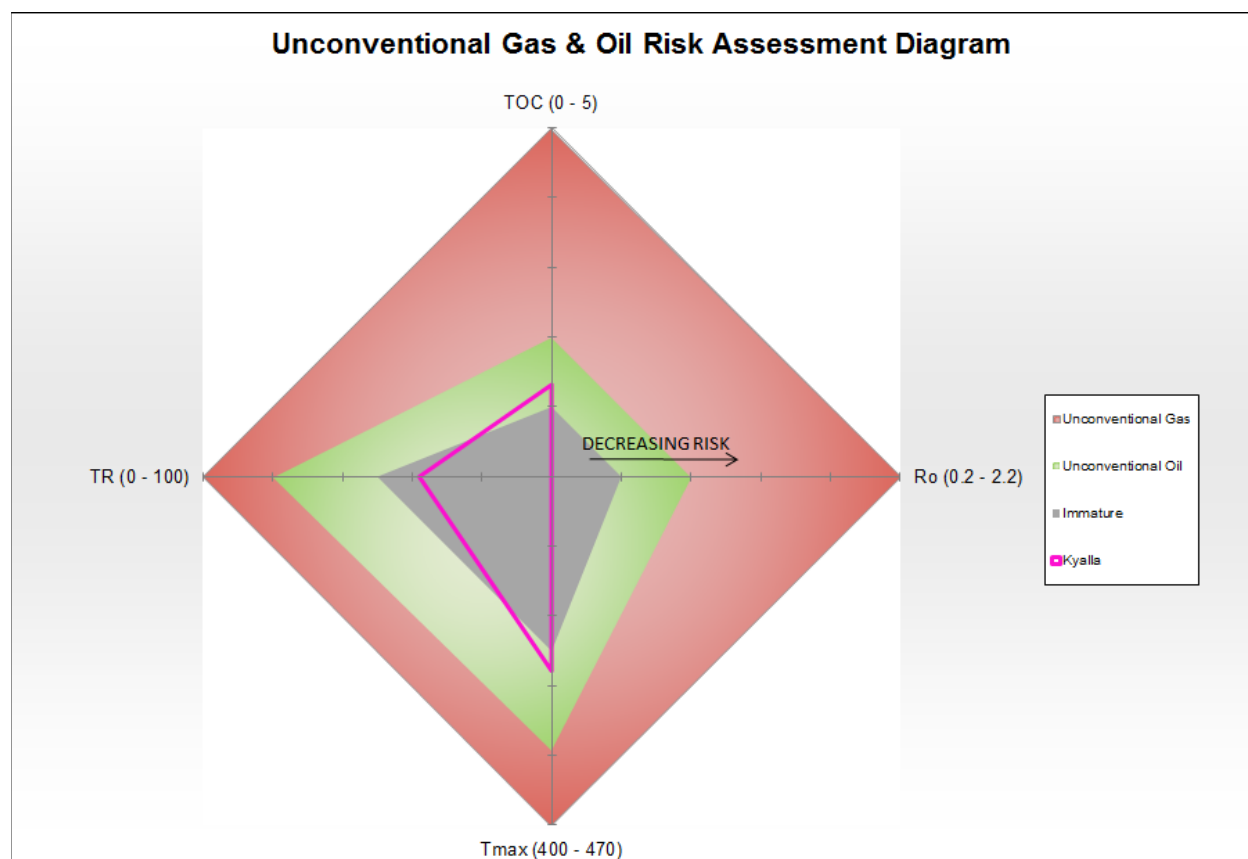


Figure 2. Geochemical Risk Assessment diagram for Mesoproterozoic Kyalla Formation source rocks in the Balmain 1 well.

The Kyalla source rock interval in the Balmain 1 well is interpreted to represent a moderate geochemical risk for in-situ shale oil production. The average measured TOC content of 1.32 wt.% is above the generally accepted minimum value of 1% TOC to be considered an *effective* source rock for hydrocarbon generation/expulsion (Fig. 2). However, it is below the minimum requirements of 2 wt.% for *economic* petroleum source rocks, which is also the minimum threshold for prospective shale gas. Original organic matter type is interpreted to be predominantly oil-prone Type I/II marine algal kerogen. Thermal maturity parameters from programmed pyrolysis place the Kyalla source interval in early oil window. The average Tmax value of 439°C is above recommended minimum value of 435°C for shale oil and well below the minimum of 455°C for shale gas (Fig. 2). This amount of conversion would likely be sufficient to generate/expel minor to moderate amounts of hydrocarbons from this organic rich, oil prone source facies. Transformation Ratios (TR), the least constrained risk parameter, average 38% and fall below the

recommended minimum of 50% for shale oil and the 80% threshold for shale gas systems (Fig. 2). For these reasons, the Kyalla interval is considered to be moderate risk for commercial shale oil development and high risk for shale gas (Fig. 2).

In the Kyalla source interval, measured in-situ oil saturation determined by programmed pyrolysis S1 yields is generally only fair (avg. 24 bbl oil/acre-ft), which is a potential concern regarding risk assessment for unconventional oil (Fig. 3). Hydrocarbon yield calculations on as-received samples show estimates of average generated oil from the Kyalla at only 69 bbl oil/acre-ft. As a comparison, a representative example from the core area of Barnett Shale oil production in the Fort Worth Basin has an estimated generated oil yield of 213 bbl/a-ft with a measured in-situ oil saturation of 79 bbl/a-ft (Fig.3). These values are significantly higher compared to the Kyalla and are primarily due to differences in organic richness and thermal maturity (Barnett Shale oil example has average of 4.70 wt. % TOC and is in the peak oil window at 0.86% R_o).

It is important to note that the quantity of oil generated from a potential source rock is only one geochemical factor to consider in regard to risk assessment. Equally important is the quality of the oil generated, since this factor can be a critical element in assessing the movability and ultimate recovery. The interpreted thermal maturity of the Kyalla source interval in this well is in the early oil window and hydrocarbon saturation is likely to be moderately heavy. The presence of heavy oil and/or bitumen could also indicate a source interval with restricted microporosity. Such microporosity is considered necessary for recovery of in-situ oil saturation and can be better assessed using scanning electron microscopy (SEM). Source rock extract fingerprints and bulk fractional compositional analyses from select Kyalla samples would also aid in the determination of the quality of the in-situ hydrocarbon saturation and provide a better assessment of their movability and ultimate recovery potential.

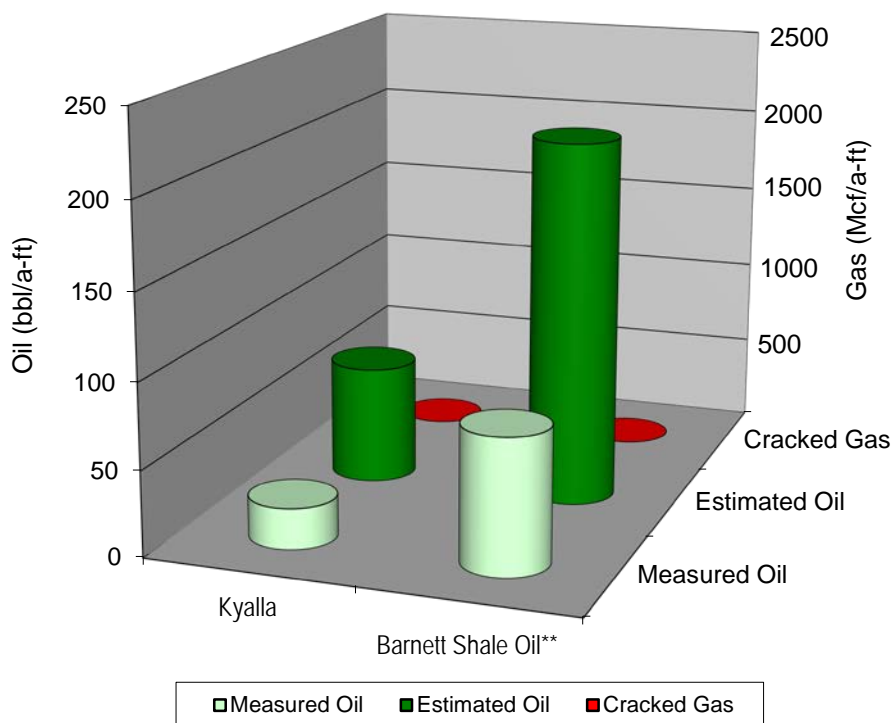


Figure 3. Hydrocarbon yield estimates for the Mesoproterozoic source rocks in the Balmain 1 well compared to Barnett Shale in the oil window.

GEOCHEMICAL SUMMARY

The Kyalla source interval in the Balmain 1 well is interpreted to represent moderate geochemical risk for unconventional shale oil development. It clearly has elevated organic richness (avg. 1.32 wt.% TOC) and is considered an good source rock with dominantly oil-prone Type I/II kerogen. Thermal maturity parameters indicate that this source interval is in the early oil window, 0.74% Calc. R_o , and some key risk ratios, such as the transformation ratio, are below recommended minimum thresholds for shale oil systems. While the Kyalla has likely generated minor to moderate amounts of oil (avg. 69 bbl oil/acre-ft), comparison to other systems such as the Barnett Shale show in-situ oil saturations are lower for the Kyalla. Risk criteria like the S1 versus TOC show oil cross-over for some samples in the middle of this unit between the depths of 965–1019 m. Further evaluation of in-situ oil characteristics would be required to fully evaluate potential oil mobility and recovery risk.

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Appendix I

Hydrocarbon Yield Calculation
Beetaloo Sub-Basin Group
Balmain 1

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Hydrocarbon Yield Calculation

Hydrocarbon yield calculations and formulas are fully documented in the appendix section of Jarvie et al. (2007)