USR DRILLING



INTRODUCTION TO ULTRA SHORT RADIUS DRILLING

July 2020



INTRODUCTION

Untapped oil and gas reserves can be accessed by combining a lowcost surface equipment package and unique Ultra-Short Radius (USR) sidetracking technology. This combination of fit for purpose equipment and USR technology provided by USR Drilling allows access to reserves in a cost-effective manner. The key deliverables are increased production and improved ultimate recovery.

We have the package to surgically remove these low volume left behind reserves by installing super perforations that are:

- □ 3-7/8" in diameter
- **Up to 1500' drainholes**
- **At the desired depth**
- □ In the desired direction

WHAT IS ULTRA SHORT RADIUS DRILLING?

DEFINITION

- BUR : 100°/100 ft to 230°/100 ft
- ROC : 25 to 57 ft

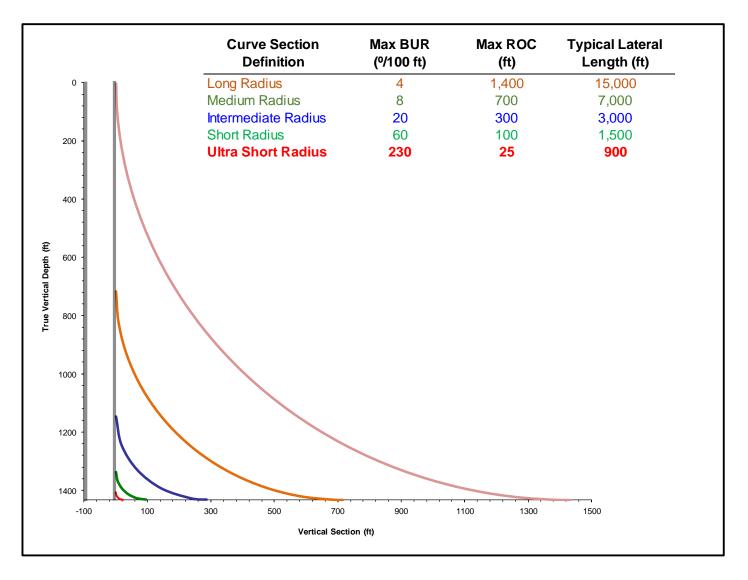
OUR APPROACH

Slim Hole Drilling with hole sizes and down hole tools that permit

- High BUR
- Steering
- Directional Surveying
- Completion



DEFINITION of USRD





USR RESOURCES LLC

- □ Controls and manages USR Drilling and USR Energy.
- □ Owns all drilling equipment and the USR Technology.
- Grants exclusive territorial licenses to qualified companies to deploy the USR Technology.
- Holds a minority interest in the local joint venture licensee company and is involved in its management and development.
- □ Provides licensees with:
 - □ necessary drilling equipment,
 - on the job training and technical and engineering support required to evaluate, plan, drill and complete a USR well for a minimum of six months or until the licensee can function independently of USRR and
 - □ ongoing technical support when needed.



DAQING CHENPING

- Daqing Chenping Drilling Technology Service Co. Ltd. ("Chenping") is the joint venture company established in 2019 by USRR and its partner Daqing Guoping Petroleum Engineering Technology Services Co., Ltd.
- Chenping holds an exclusive license to operate USR Equipment and utilize the USR Technology in drilling ultra-short radius wells in China.
- As of July 2020 Chenping has drilled more than 35 USR wells for PetroChina in the Daqing oilfield in Heilongjiang Province, China and has an ongoing contract to drill USR wells.
- □ Chenping plans to expand its operations to other fields.



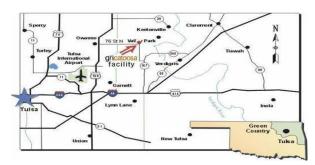






USR DRILLING LLC

- USR DRILLING (USRD) is the premier provider of Ultra-Short Radius and Short Radius horizontal drilling services to the oil and gas industry.
- USRD personnel were directly involved in the development of USR prototype tools at Amoco Production Company Drilling Research Center near Catoosa, Oklahoma in the late 80's early 90's.
- USRD is the only directional drilling company in the world that provides Ultra Short Radius drilling services.
- USRD employs highly experienced drilling personnel and offers unique problem solving well intervention technologies.
- Over the past 30 years USRD personnel have drilled hundreds of wells in the US, Africa, India, Turkey, Oman, Indonesia, Myanmar and Pakistan. New drilling and completion technologies have been introduced to improve the Company's capabilities and operational efficiency.









USR ENERGY LLC

USR ENERGY (USRE) participates with industry partners on a Drill for Equity basis by providing equipment and services in return for a working interest in a project.

USRE's focus is to:

- participate in the acquisition and development of producing and non-producing oil and gas properties in the USA and
- successfully and profitably re-develop these properties by applying USRR's proprietary Ultra-Short Radius sidetracking technology to exploit remaining reserves.







USR OFFICES



USR Group of Companies Two Riverway, Suite 1710 Houston, Texas 77056











Daqing Chenping Drilling Technology Service Co. Ltd. Rm 300, Building C4 Daqing Service Outsourcing Industrial Park No. 6-2 Xinfeng Road, Daqing Development Zone Heilongjiang Province, China



OUR EXPERIENCE AND EXPERTISE

Management, drilling and engineering personnel possess, on average, more than 30 years of experience with USRD. This experience has led to several industry firsts:

- Drilling horizontal wells utilizing air hammers;
- Drilling with Titanium Drill Pipe (TDP);
- Running an articulated and rotatable sand screen through a 29' radius and 600' lateral;
- Drilling two world record wells.

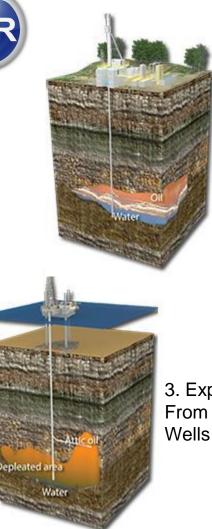
Our expertise is the re-entry of existing wellbores to exploit bypassed reserves in mature fields. We deploy proprietary well-intervention technologies that were specifically designed to exploit remaining reserves, increase production from marginal wells, restore production from shut-in wells, and reduce water production.

HISTORY OF THE USR TECHNOLOGY

R

2016-2020	Completed 8 wells in the USA and 30 wells in China. Developed more robust USR Motors and Steering Tools.
2013-2016	• Completed 20 th well in Gabon. Completed 8 th well in Pakistan. Completed 5 th well in Myanmar.
2012	 Completed 8th Well in W. Africa for Perenco Gabon in OBA, Olende and Niungo Fields Drilled a World Record well with a Reach to Radius Ratio of 32:1 and Longest USR lateral length of 430 m (Gabon) Began development of new generations of Titanium DP and Composite DP
2010-2011	 Drilled first two wells in Indonesia for Citic Seram. Drilled 2 wells for Pertamina Java EP. Drilled first First USR well in African Continent for Perenco Gabon. Drilled 8th well for Oxy Oman, Safah Field
2009-2010	 Completed 7 well campaign for Oxy Oman, Safah field Drilled a World Record well with a Reach to Radius Ratio of 25:1
2007 - 2008	First USR well completed with articulated and rotatable sand screen "SnakeScreen™. Acquired TDP with two designs improvements based on USRD field data input.
2007	Developed USR mud motors to reduce drillpipe RPM's and to steer in thin targets. Began running a hybrid string combining S-135 and one or two joints of TDP as non-mag.
2006 – 2007	Drilled USR wells in Turkey and India. Replaced Composite Drill Pipe with Titanium Drill Pipe.
2005 - 2006	Drilled in Rima field of PDO Oman. Built 30 ft ROC fixture to fatigue test drill pipe to be run in USR wells.
2004 – 2005	Drilled multi-lateral "fishbone" wells for PDO, Oman. Introduced USR to Indonesian Operators.
2001 - 2003	Completed five well trial successfully for PDO, Oman. USR chosen as one of Five Mature Technologies for worldwide deployment by Shell's Global Implementation Team (GIT).
1994 - 2001	 Drilled 170 USR wells in various fields in the United States with a number of milestones: 2000 - First ever horizontal well drilled with air hammer 1999 - First ever well drilled with Titanium Drill Pipe
	 1995 - First USR well drilled Under Balanced using USRDS's Low Cost RSS tools
1990 - 1994	Drilled more than 200 Ultra Short Radius (USR) test wells at Amoco's Catoosa Drilling Research Center.





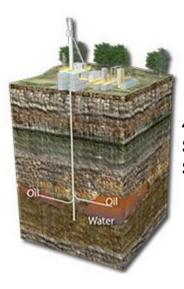
APPLICATIONS

1. Sidetracks from Vertical Wells with Water Coning

2. Sidetracks from Vertical Wells in Tightly Spaced Fields



3. Exploitation of Attic Oil From Vertical or Horizontal Wells



4. Sidetracks into Channel Sands with Surrounding Shale

- 5. Sidetracks from Vertical Wells with Near Wellbore Damage
- 6. Alternative to Hydraulic Fracturing
- 7. Sidetracks from Water Injectors to Increase Injection Rates and Improve Sweep Efficiency
- 8. Sidetracks with conventional deviated well followed by USR drain hole to avoid water coning



USR VS CONVENTIONAL SIDETRACK

USR SIDETRACK

- Access Reserves Near Vertical Wellbore
- Horizontal Section Begins 27-57' From Vertical Wellbore
- Kickoff In Producing Formation Resulting in Entire Curve and Lateral Section in Pay Zone.
- Avoid Overlying and Underlying Problematic Shales
- Drill with NDDF Designed only for Reservoir Pressure which is Often Partially Depleted
- Avoid Need for and Cost of Intermediate Casing / Liner
- Avoid Expensive Logging Tools
- Use Lighter Workover Rigs and Smaller Circulating Systems
- Drill Smaller Hole Sizes Utilizing Slim Hole Drilling Technology
- Set Pumps in Vertical Position and Near Top of Reservoir
- Estimated Cost is 30-50% of Vertical Well Cost
- A Deviated Pilot Hole can be Drilled from Existing Wellbore and Logged to Acquire Data and Determine USR Well Bore Placement.
- A Pilot Hole + USR Sidetrack is Less Expensive than Conventional Horizontal Drilling
- Low Lost in Hole Cost

CONVENTIONAL HORIZONTAL SIDETRACK

- Can Not Target Near Wellbore Reserves
- Horizontal Section Begins over 1000' From Vertical Wellbore
- Kickoff Points over 1000' above Pay
- Curve Section Does Not Intersect Pay Zone Therefore not Contribute to Production
- Numerous Lithologies Including Unstable Shales are Exposed in Curve Section which Increases the Risk of Drilling Problems
- Drilling Fluids are More Complex Due to Hole Stability and Lower Reservoir Pressures
- LWD is Required Due to Target Uncertainty away from original well bore
- Use Heavier Drilling Rigs and Larger Circulating Systems
- Larger Hole Sizes are Required
- Cemented Casing / Liners are Required Through Curve Section
- Set Pumps Well Above Top of Reservoir or in Curve Section at High Inclination. This Could Result in Numerous Production Problems
- Estimated Cost is 80-100% of Vertical Well Cost
- High Lost in Hole Cost

Drill 2,000' to Reach 90°

Drill 45' to 90' to Reach 90°



- □ LOW RECOVERY FACTOR = REMAINING RESERVES
- □ LOW WELL DENSITY = SUFFICIENT PRESSURE
- □ GOOD RESERVOIR DATA = BETTER TARGET IDENTIFICATION
- □ LOW PERMEABILITY = POOR CONNECTIVITY
- □ SUFFICIENT WELL RECORDS = LOWER RISK
- □ 5 1/2" CASING OR LARGER
- LESS THAN 10,000' DEPTH
- □ BAREFOOT COMPLETION



CASE HISTORIES SOME EXAMPLES

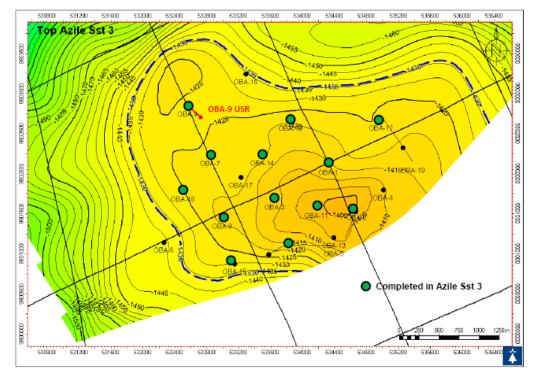
CHINA CASE HISTORIES SEE SEPARATE PRESENTATION



Case 1 – Horizontal Drain Trial

HISTORY :

- Appraisal well for the field northwestern extension
- 7 Workovers to test Dolomite and Sst
- Converted to water injector with disappointing 50 bwpd injecting rate
- Converted back to producer from Sst 3 and 4 with 130 bopd, 22% watercut
- Vertical well log shows 4 m net pay, 24% porosity, 60 mD perm





Case 1 – Horizontal Drain Trial

on Azile Sst

532000

532900

6332011

OBA-9 USR

533800

634DDD

Q

638800

534800

635200

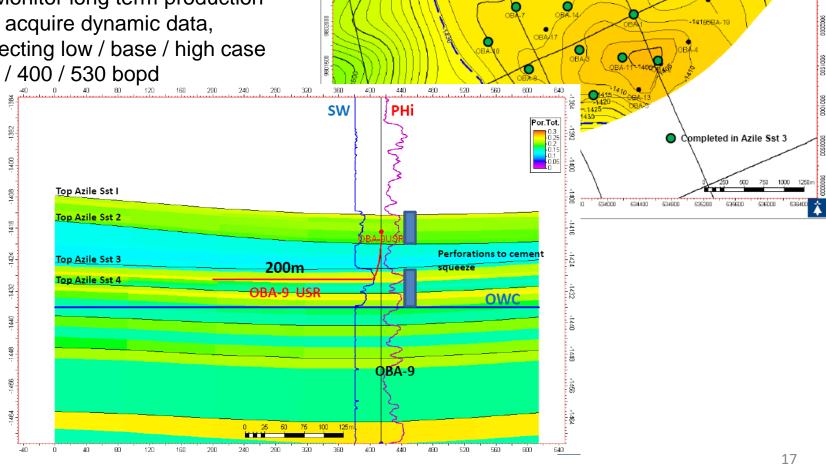
535600

536000

535*0*0

OBJECTIVES:

- To Prove production from a horizontal drain hole through Sst 3
- To Monitor long term production and acquire dynamic data, expecting low / base / high case 320 / 400 / 530 bopd





Case 1 – Horizontal Drain Trial

RESULTS:

 Production increase from 130 bopd, 22% watercut to 750 bopd, nil Water

> Survey Type : DEFINITIVE Vertical Section Origin : N 00.000 m., E 00.000 m.

> > Tie-in Surveys : Gyro Multishot

KOP - Start 4-1/2" Curve : 1430 m MD ORT

Radius of Curvature (DLS): 12.5 m (140° / 30m)

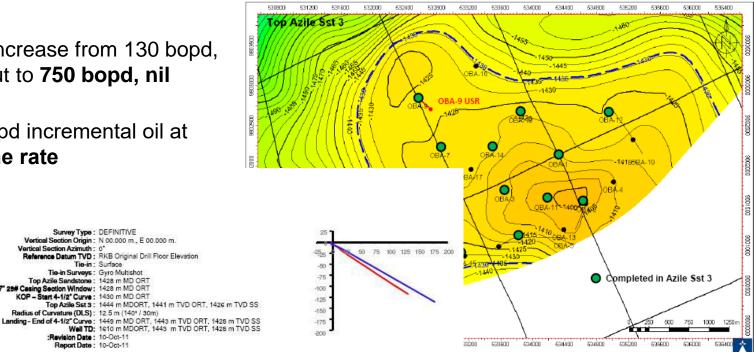
:Revision Date : 10-Oct-11 Report Date : 10-Oct-11

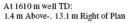
Reference Datum TVD : RKB Original Drill Floor Elevation Tie-in : Surface

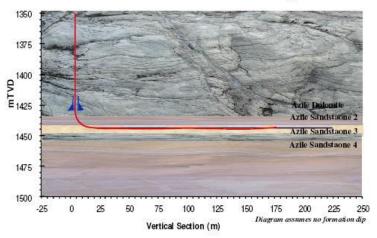
Vertical Section Azimuth : 0*

Top Azile Sandstone : 1428 m MD ORT Top 7" 25# Casing Section Window : 1428 m MD ORT

• Total 620 bopd incremental oil at "flat" decline rate



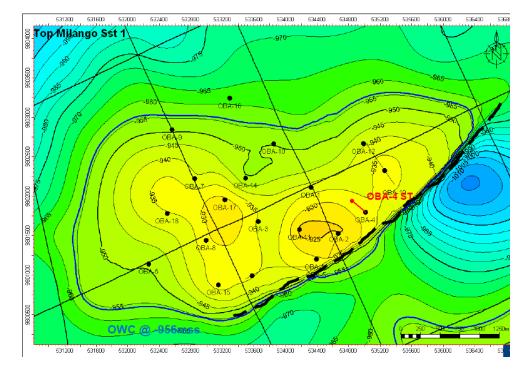






HISTORY :

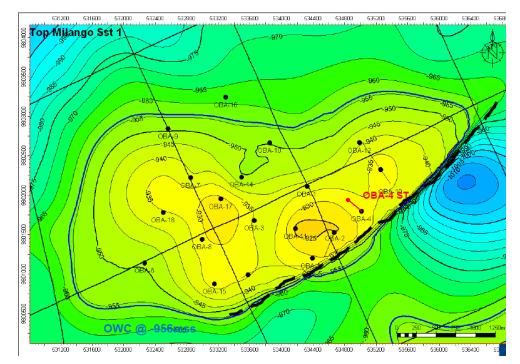
- M Sst high perm (vug), low mobility
- 18° API Oil with high viscosity 253 cP
- Very low PI in vertical well, 20 m perf
- Heavy oil limit production in vertical well - 40 bopd, low water from M Sst





OBJECTIVES :

- Increase PI by increasing connectivity
- Monitor long term production and obtain dynamic data
- Support further development in M reservoir
- USRD trial with Operator's light rig





RESULTS :

- 6 fold increase in oil production
- "Open door" to 60 MMstb STOIP

850

875

925

950

975

-225

-200

-175

- 150

-100

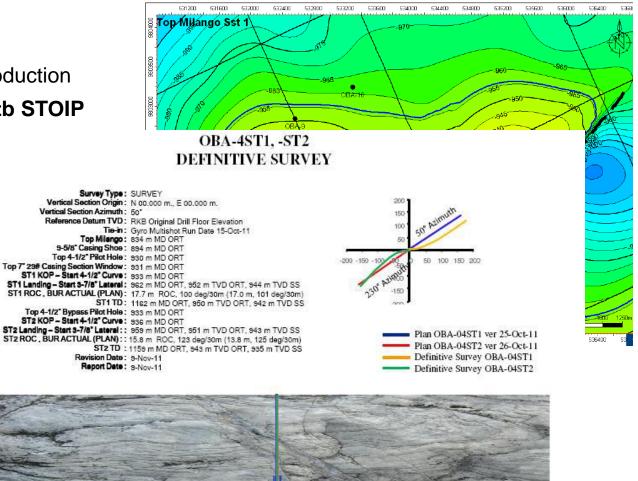
-75

-50

Vertical Section (m)

-125

006 aug



Milango

150

100

Milango Sandstone

175

Assumes no formation dip

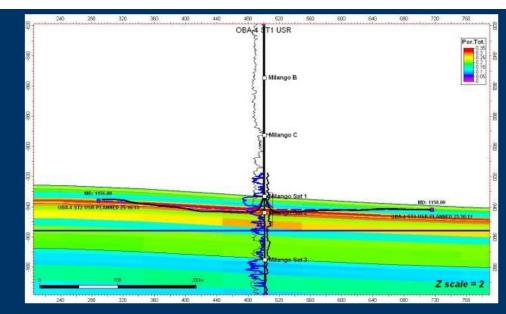
200

225



RESULTS :

- 6 fold increase in oil production
- "Open door" to
 60 MMstb STOIP



Perenco Gabon Conducts First Ultra Short Radius (USR) Re-Entry in Africa 🧨 🕻

Perenco Gabon is pleased to announce that wells OBA-09 and OBA-04 have successfully been worked over. Three side tracks, including one two leg multilateral re-entry drilling, were effectively executed using both the H40 rig and ultrashort radius technology.

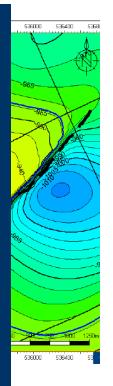
Both wells are now back in production and showing encouraging results. OBA-4 heavy oil production has increased six fold in the same Milango formation, opening the door for a 60 MMstb STOIP field development.

USR technology allows the placing of multiple 200m horizontal drains by applying very high dog leg (excess of 150deg/30m). This was selected as the most appealing intervention technique as it did not require a powerful rig.

Several alternative applications have already been identified for Gabon where many existing wells are potential candidates for similar work over programmes where Perenco will again be able to improve recovery.

The next two USR wells will use the Perenco Schramm rig on the Olende Dome formation. The objective will be to validate a smaller footprint rig while testing horizontal wells in the Ozouri formation.

This project is a significant achievement for Perenco Gabon and demonstrates Perenco's ability to maintain production plateau by further developing brown field sites using cost effective and innovative methods.

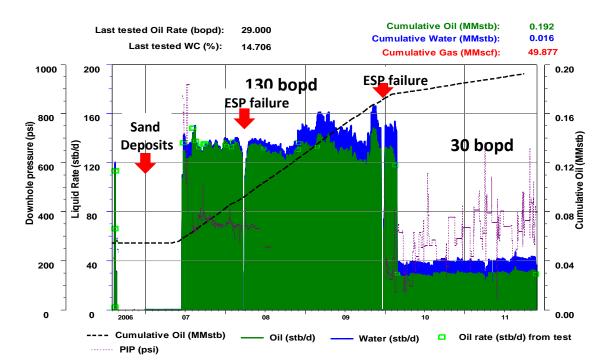


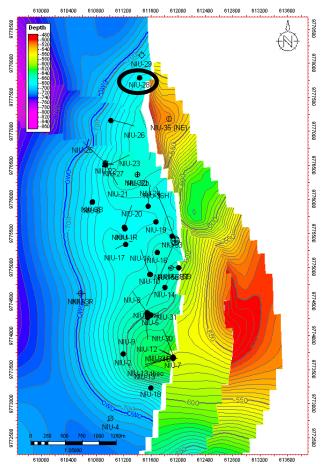


Case 3 - Improve Recovery

HISTORY :

- Field Active aquifer drive, constant increase in water cut
- High water encroachment tendency
- 23% Recovery factor suggests remaining field potential
- Well drilled as appraisal to assess field's north extension
- Low PI 0.4 stb/d/psi (3 to 10+ stb/d/psi field average)
- 30 bopd the lowest producer in the field (decreased from 600 bopd initial)



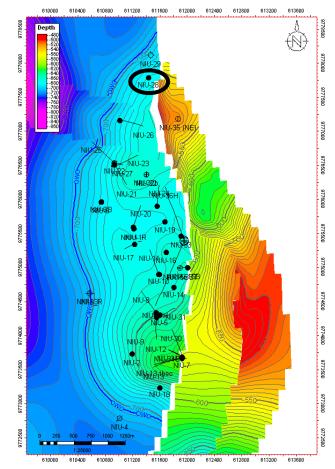




Case 3 – Improve Recovery

OBJECTIVES :

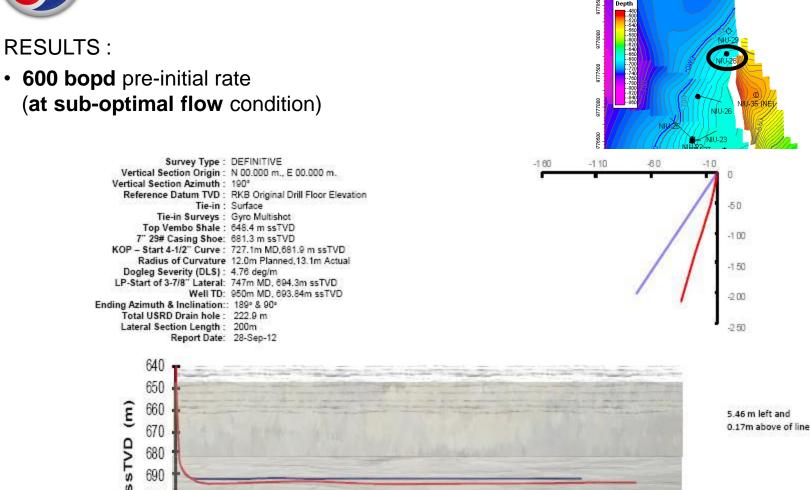
- To improve recovery with a horizontal drain hole
- To delay water piercing
- To monitor long term production

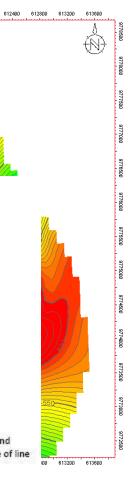


Δſ

Vertical Section (m)

Case 3 – Improve Recovery





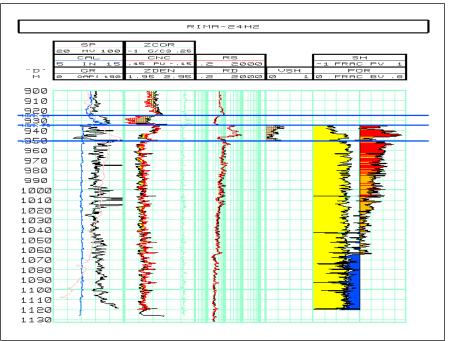
610400 610800 611200 611600



Case 4 – Water Coning

HISTORY :

- Water coning due to bottom water drive. Well is 100% watercut
- Bypassed oil in unswept area 15 m from reservoir top. Last interpretations est. 1.04 MMstb STOIP recoverable
- Not recoverable with conventional horizontal profile. Need 11 m TVD build section
- Densely faulted, structural compartments and faulted blocks requiring high degree of trajectory control. Need max 200 m lateral section
- Ideal application for USR horizontal drilling

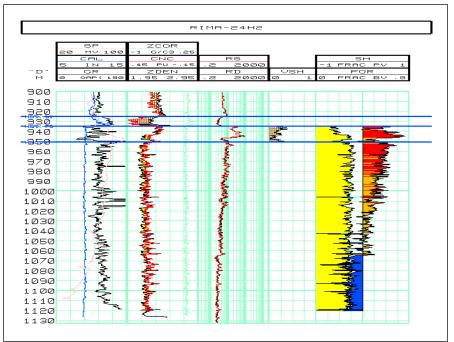




Case 4 – Water Coning

OBJECTIVES:

- Access bypassed oil from shut-in or high watercut wells using USR horizontal drilling technique
- Step away from coning radius (80 m)
- Replace existing infill wells with USR horizontal drain hole where possible
- Maximize oil delivery by reactivating shut-in wells





Case 4 – Water Coning

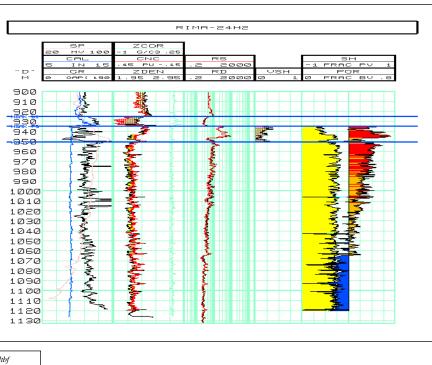
RESULTS :

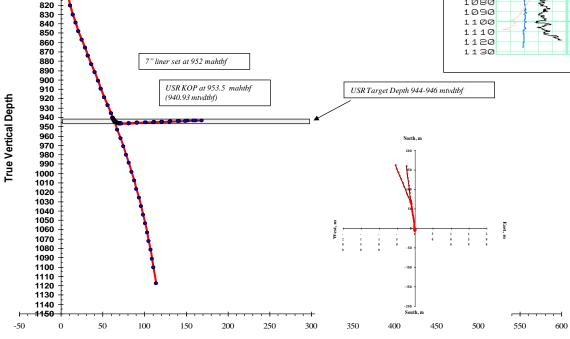
- 310 bopd
- Low watercut

800

810

• Flat decline rate





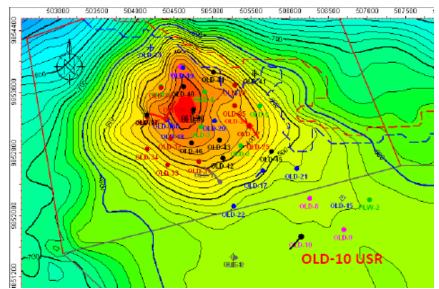
Total Departure



Case 5 – Heavy Oil, High Watercut, Low Perm

HISTORY :

- High perm (10 D) within highly fractured dome area, low perm and low fracture density in flank areas
- Extremely high oil viscosity 1,300 cP
- Strong edge aquifer drive
- High CO₂ content (highly corrosive when mixed with water)
- Low producing vertical well on the flank
- Challenge to increase or maintain current production plateau. USRD is seen fit to develop both dome and flank areas.

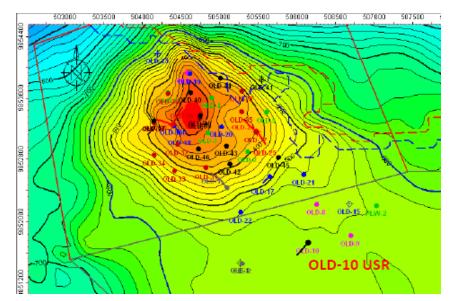




Case 5 – Heavy Oil, High Watercut, Low Perm

OBJECTIVES:

- To increase net reservoir exposure in the flank area with fewer wells
- To reduce water coning and/or fingering effect by reducing drawdown with a horizontal well
- To improve connectivity between the new horizontal wellbore and undrained fracture networks
- To access sweet spots a few meters from the vertical wellbore



Case 5 – Heavy Oil, High Watercut, Low Perm

503000

Definitive Survey

503500

504000

504500

505000

505500

506000

508500

507000

507500

RESULTS :

- 185 bopd, low watercut from 35 bopd, 35 bwpd
- USRD trial wells increased from 2 to 5
- World record Reach-to-Radius Ratio

Reference Datum TVD : ORT - Original Rotary Table Elevation Tie-in Surveys : Gyro Multishot 7-Jan-12 at 534 m MD

KOP - Start 4-1/2" Curve : 568 m MD, 568 m TVD ORT, 561 m ssTVD

End of 4-1/2" Curve : 585 m MD, 580 m TVD ORT, 573 m ssTVD Well TD : 1015 m MD, 582m TVD ORT, 575 m ssTVD

Survey Type : DEFINITIVE

7" Casing Shoe : 566 m MD

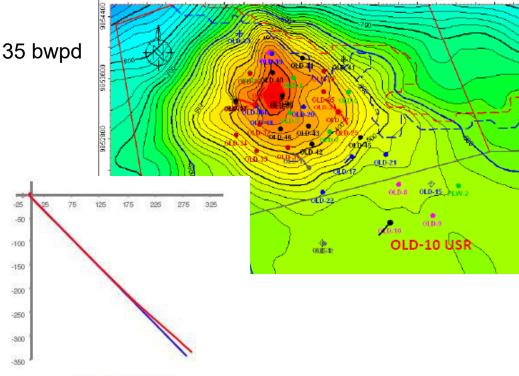
Revision Date : 18-Jan-12

Report Date : 18-Jan-12

Radius of Curvature (BUR) : 13.3 m (131º/ 30m)

Vertical Section Azimuth: 140°

Vertical Section Origin : N 00.000 m., E 00.000 m.



Proposal ver 8-Jan-12 (GR corr) 500 New World Records Reach-To-Radius Ratio and USR Horizontal Section Length 525 Ratio 32:1 From 568 m KOP, 13.3 m ROC (130%30 m BUR), 430 m Horizontal Section Previous Record 25:1, 1986 m KOP, 11.2 m ROC (1567/30 m BUR), 286 m Horizontal Section drilled in Safah, Oman Sep'09 by USRD / OXY m TVD ORT 550 At 585 m EOC : At 1015 m Well TD : Ozouri I 2.1 m Above, 3.9 m Right of Plan 0.4 m Above, 13.9 m Right of Plan 575 Ozouri II 600 -25 275 325 350 375 425 450 475 75 100 125 150 175 200 225 300 400 Vertical Section (m) Formation Top Based on Vertical Well. Formation dip not reflected in diagram



Case 6 – Low Perm, Low Pressure

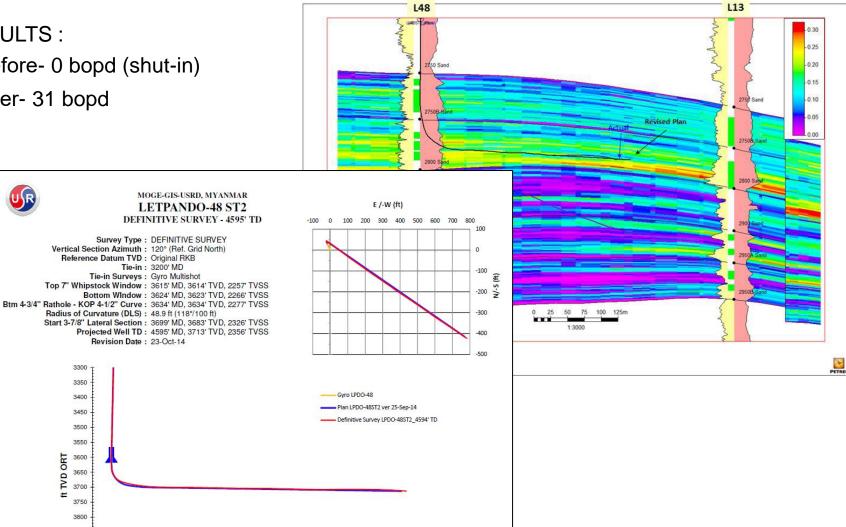
RESULTS:

Before- 0 bopd (shut-in)

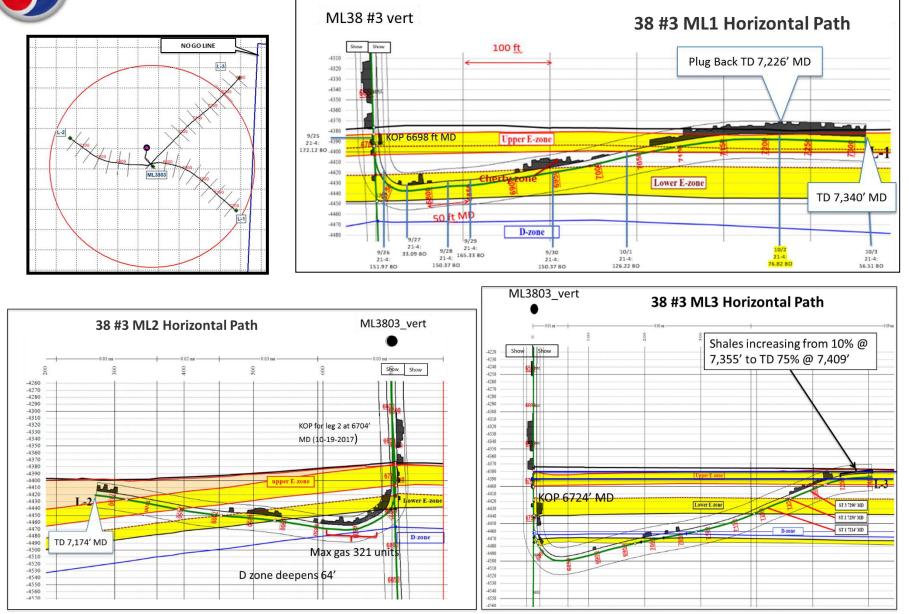
3850 3900

-100 -50 0 50 100 150 200 250 300 350 400 450 500 550 600 650 700 750 800 850 900 950 Vertical Section (ft)

• After- 31 bopd

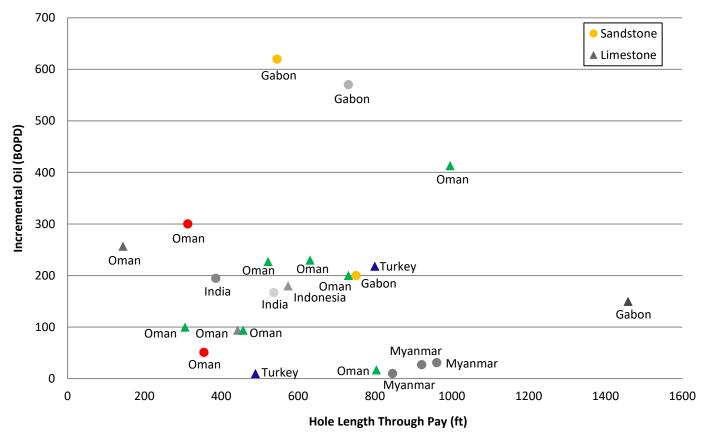


Case 7 – Fractured Carbonate





Incremental Oil (BOPD) vs Hole Length Thru Pay (ft)



1	2	7	
h	h		
U	J		
	-		1

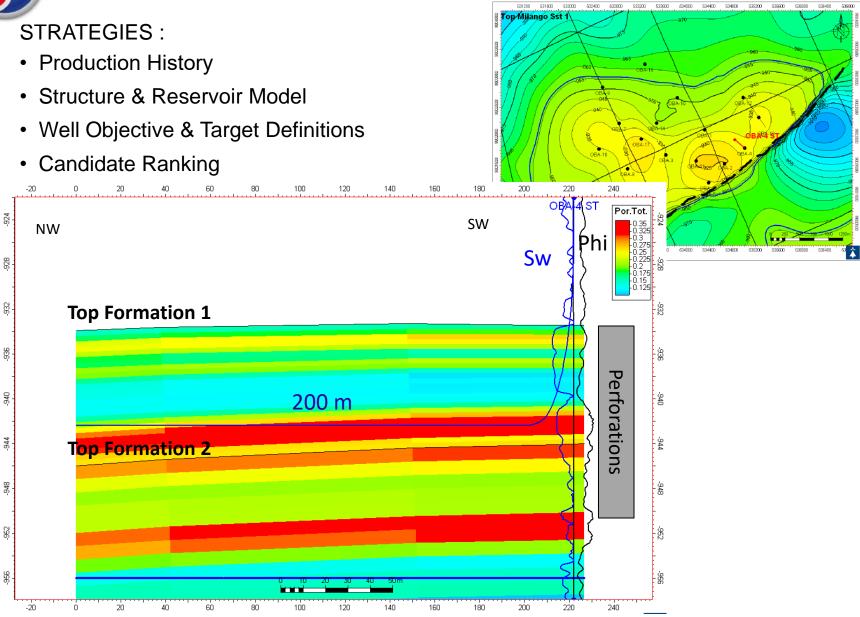
Well	Length Thru Pay (ft)	BOPD Increase	Lithology
Rima 14	355	51	Sst
Rima 24	313	300	Sst
Yibal 392	144	257	Lst
Daleel 4	443	94	Lst
Geleky 83	386	195	Sst
Balol 141	537	167	Sst
Selmo 22	800	218	Dol. Lst
Selmo 36	489	10	Dol. Lst
Safah 99	457	94	Lst
Safah 111	631	230	Lst
Safah 93	996	413	Lst
Safah 113	306	100	Lst
Safah 114	731	200	Lst
Safah 27	804	17	Lst
Safah-52	522	227	Lst
East Nief-1	574	180	Lst
OBA-9	545	620	Sst
OBA-4	751	200	Sst
OLD-10	1459	150	Sil. Cst, Dol. Lst
NIU-28	731	570	Sst
LPDO-7	846	10	Sst
LPDO-61	922	27	Sst
LPDO-48ST2	961	31	Sst



CANDIDATE SELECTION PROCESS



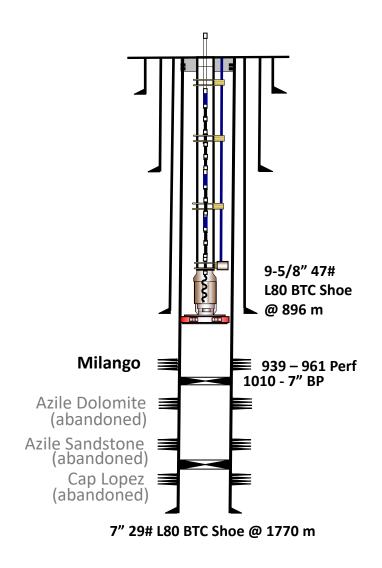
SUB-SURFACE EVALUATION





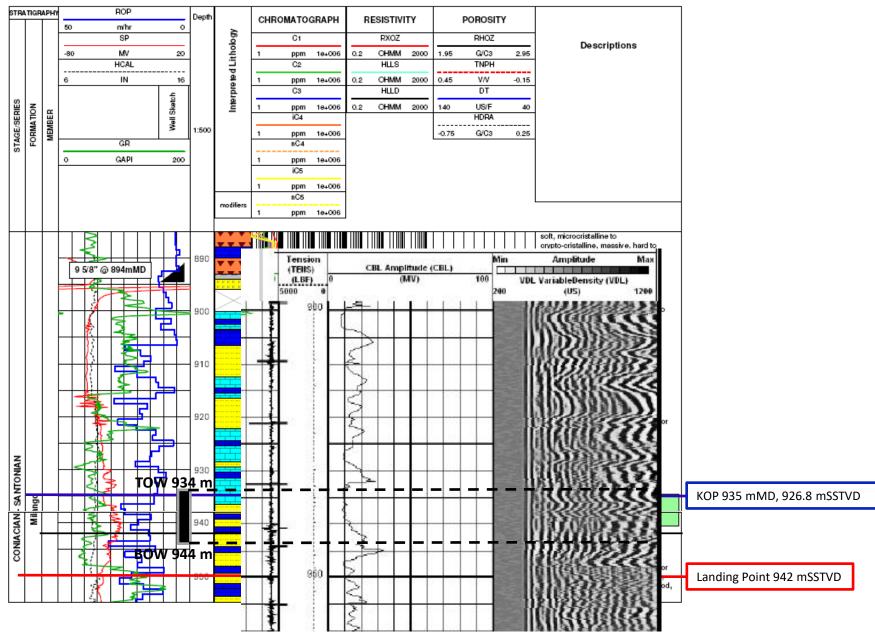
MECHANICAL ASSESSMENT

- 7" 29# Production Casing
- 3-1/2" PCP Completion
- Completed zones: Milango Formation Perforated 939 – 941.5 m Abandoned 941.5 – 946.5 m Perforated 941.5 – 961 m
- Abandoned zones: Azile Dolomite Azile Sandstone Cap Lopez



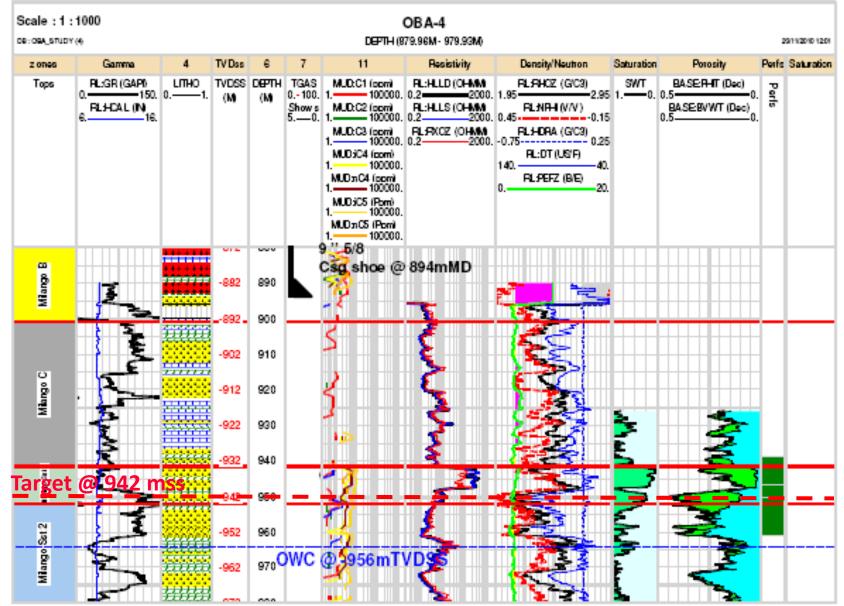


CASING EXIT

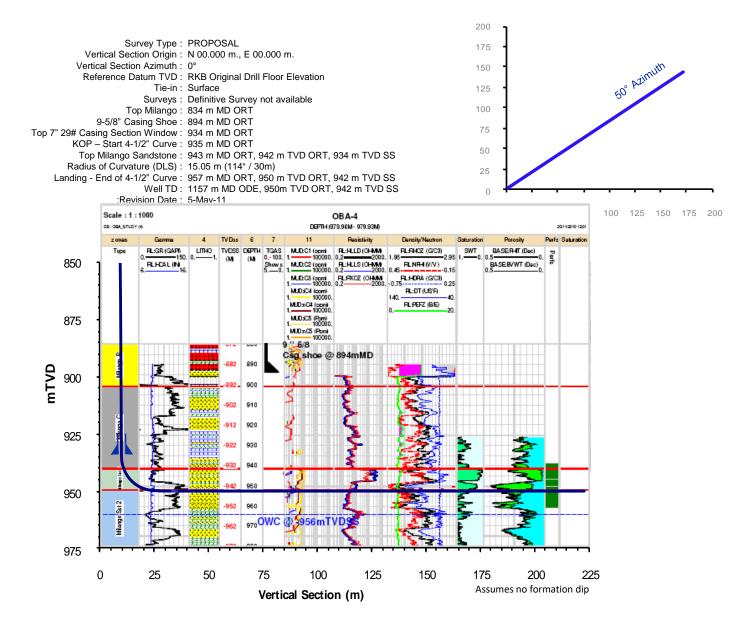




DRILLING HAZARD ASSESSMENT

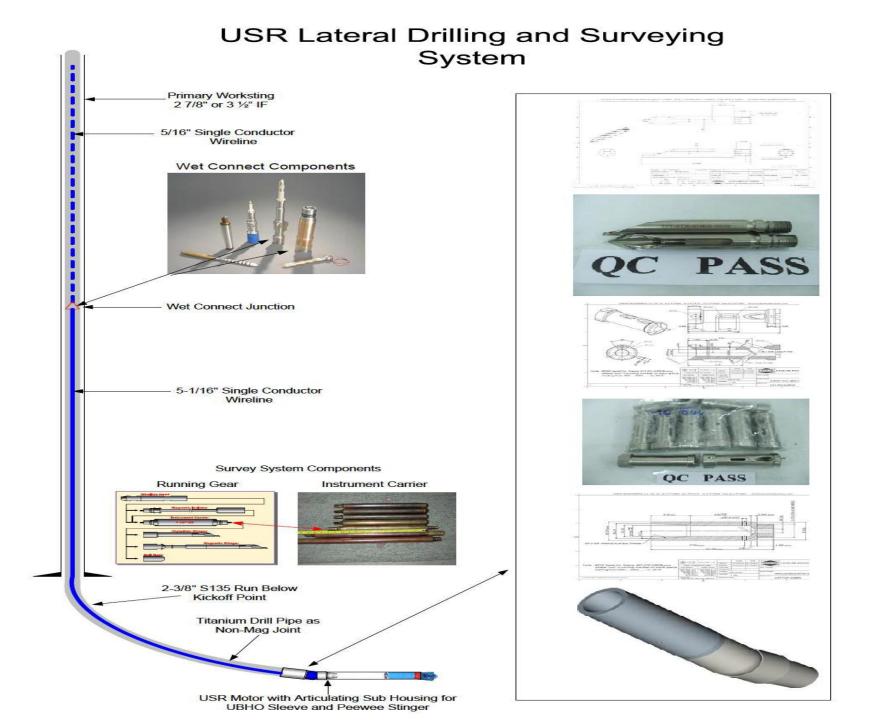


TRAJECTORY PROPOSAL & PROGRAM





SUB-SURFACE EQUIPMENT PACKAGE



FIRST "SNAKE SCREEN" COMPLETION RUN IN A USR WELL IN INDIA



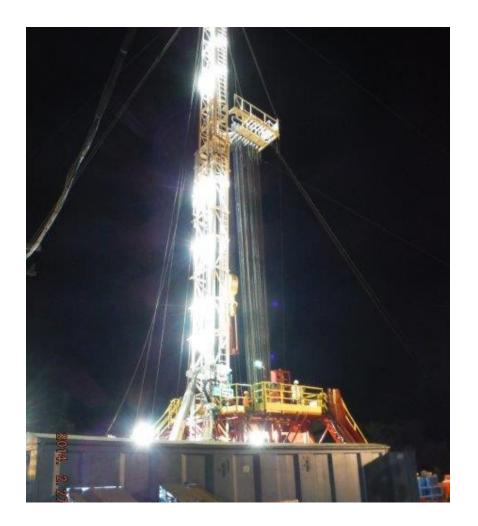


USRD SURFACE EQUIPMENT PACKAGE FOR MYANMAR



350 HP RIG







CARRIER ON RIG RAMP





MUD PUMPS





AGITATOR MOTORS ON MUD TANKS



SOLIDS CONTROL AND SUCTION TANKS



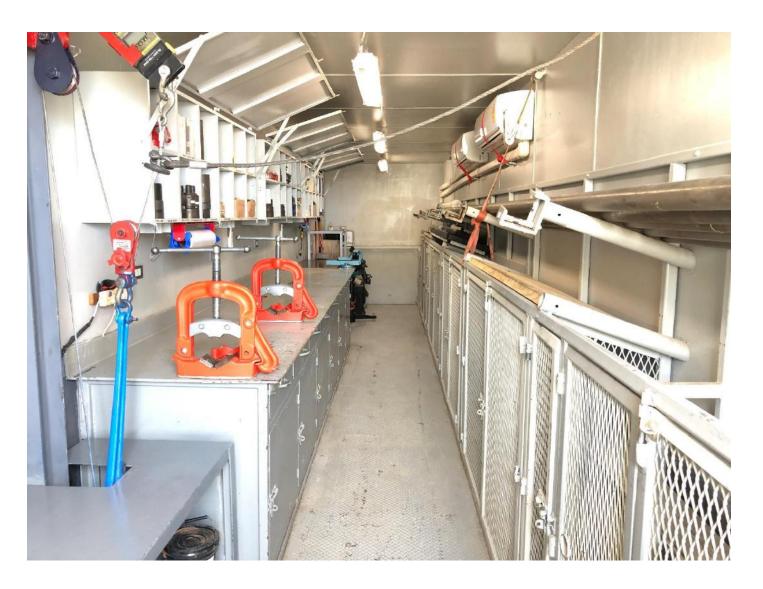


SOLIDS CONTROL SYSTEM





USRD WORKSHOP





Schramm 94 klbs (750 HP Chain Drive) Single

LIGHT DUTY RIG



Schramm with sub-structure (tiled, USRD from slant well)



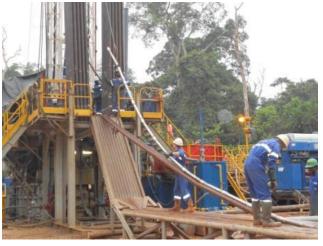
ZJ20 350klbs 600 HP Double



Ideco H40 Rambler – 400 HP Double



Rig H40 with USRD Workshop



HRI 80T 350 HP Single



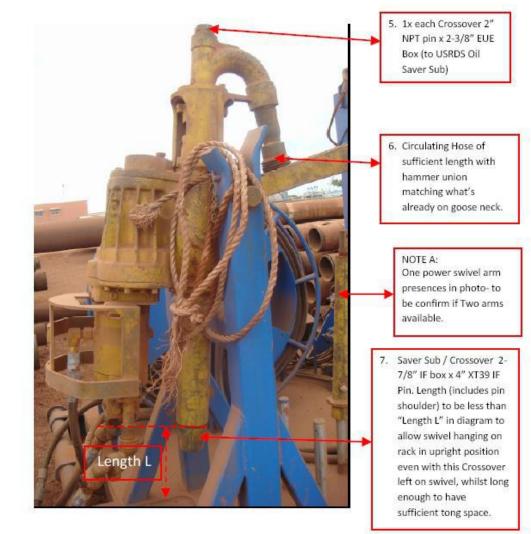
DRILL STRING DRIVE

POWER SWIVEL

- Bowen 2.5C
 - Static Load Rating 170,000 lbs
 - 100 RPM Rating 90,000 lbs
 - Max Torque 3,975 ft-lbs
 - Max Circ Press 5,000 psi
- Bowen S-3.5
 - Static Load Rating 240,000 lbs

5,000 psi

- 100 RPM Rating 130,000 lbs 8,000 ft-lbs
- Max Torque
- Max Circ Press



LPDO-7 DRILLING TIME LINE

SPUD 01/03/2014

COMPLETION 10/03/2014

