Pushing the Boundaries of Exploration in East Malaysia: Building on Early Success*

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Abstract

Murphy Oil entered Malaysia in 1999 with a strategy of combining exploration and development of low risk, shelfal sandstone plays together with frontier, high-impact oil exploration targeting Tertiary deep-water sandstones in the undrilled, deep-water region of Sabah. Interest in the Sabah area had been prompted by the presence of several large, anticlinal thrust structures with evidence of a live hydrocarbon system in the form of gas chimneys in the seismic data and sea floor and ocean surface seeps.

Murphy Oil acquired a substantial acreage position in deep-water Sabah, and the first exploration wells were drilled in 2002. After two unsuccessful wells, the third well of the programme discovered the Kikeh Field as a significant oil accumulation in water depths of 1300m, the first deep-water oil discovery in Malaysia (Algar et al., 2007; Masoudi et al., 2013). By 2007, less than 5 years from discovery, Kikeh came on production and 15 further deep water discoveries, including important look-alike oil discoveries such as Gumusut-Kakap, Siakap-North Petai, Jangas, Kikeh Kecil, and Kerisi fields, had been made in the play. Not only was this a remarkable fast track development, but the Kikeh discovery opened up a significant new oil play in an area that until then had been regarded as gas-prone, with little known about the main reservoir objective of Tertiary deep-water sandstones. Detailed regional and field studies have now documented that the reservoirs in the Kikeh Field are deep-water marine turbidite lobes that are interbedded with mass-transport deposits and pass laterally into distal, thin-bedded equivalents of the turbidite sand lobes. Much less sand is recognised as being introduced onto the slope than was originally envisaged, with
most sand input being restricted to a short time period in the late Miocene, well constrained by biostratigraphy (Morley, 2014). Turbidites were derived from a narrow shelf and transported down an unstable slope, where syn-depositional-thrusting-modified slope topography and influenced sand distribution down and along the slope. The structural framework differs remarkably between the northern and the southern parts of the Sabah Basin. Hydrocarbons are considered to be sourced from transported coaly organic matter deposited with the turbidites. Selective gas leakage from the crests of the thrust-related anticlines strongly influences the hydrocarbon phase retained in many of the deep-water Sabah fields.

Murphy also opened a new play in the northern area of deep-water Sabah with the discovery of gas in excellent quality, high net-to-gross Upper Miocene sandstones that accumulated in topographic lows (‘mini-basins’) which formed in response to syn-depositional tectonism. Low-relief, combination structural-stratigraphic traps were developed and charged with a mix of thermogenic and biogenic gas. Of particular note is the Rotan Field discovery in Block H in 2007, some 250km NE of the Kikeh Field, which led to the sanction of the Rotan cluster FLNG project in 2014, one of the world’s first of its type, with gas production scheduled to start in 2018.

To date Murphy has drilled 30 exploration wells in deep-water Sabah, resulting in a gross volume of nearly 1.3 Billion BOE reserves being discovered. The discovery of Kikeh opened a new era of technical research into deep-water depositional systems in Malaysia, initially driven by development considerations, but now extended to other exploration opportunities in the area. The geology of these deep-water fields reveals significant information that is being applied to both field development and exploration in the area. Some of the key areas of technical interest Murphy has focused on are:

- The types of depositional systems developed within an active deep-water fold and thrust belt and their evolution into high net-to-gross sand lobes and laterally equivalent, extensive, thin-bedded deposits containing significant hydrocarbon reserves.
- The significance of the control on deposition exerted by mass-transport deposits (MTDs) and their role in defining reservoir distribution and trapping.
- The nature of top seals across structures and the controls on hydrocarbon column heights.
- The nature, distribution, and maturity of source rocks across the Sabah margin.
- The critical aspects of reservoir quality and sand distribution that are essential to understand during the appraisal phase in order to optimise deep-water development plans.
Understanding these controls on the petroleum system across the Sabah Margin is important, not just in the Kikeh area but throughout NW Borneo, and offers a significant technical advantage in the exploration, development, and evaluation of deep-water areas. Murphy continues to explore in Malaysia and is optimising the knowledge derived from its deep-water Sabah fields and excellent working relationship with PETRONAS and partners to focus its ongoing exploration activities.

Selected References


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Murphy Oil Corporation Overview

- Headquartered in the United States with operations in:
  - Eagle Ford (South Texas)
  - Gulf of Mexico
  - Canada
  - Malaysia
  - Brunei
  - Vietnam
  - Australia
  - Equatorial Guinea
  - Namibia

- Key Statistics:
  - Market Capitalization: ~$8 billion
  - Employees: ~1,500
  - Net Proved Reserves: ~750 MMBOE
  - 2014 Net Production: ~225,000 boe/d
Murphy in Malaysia - 16 Years of Commercializing Malaysia Discoveries

- A strong 16 year relationship with PETRONAS
- Track record of successful exploration, efficient development, and reliable operations
- Murphy has participated in nearly half of all Malaysia deep-water discoveries, totaling 3.2 Bboe gross recoverable \(^{(1)}\)
- Prolific diverse asset base across shallow and deep water
  - Shallow Water: SK 309/311/314A
  - Deep Water: Block K/Block H/ SK2C

\(\text{Note: } (1) \text{ source: PFC Energy}\)
Types of Development in Sarawak and Sabah

Creative solutions to Development
Sabah Exploration History

Rejuvenation more than once, time for another?

Cumulative Res. (MMBOE) by year

Source: IHS Energy Database 2015

Under-explored!
A bit of luck on timing can help......
Regional Tectonics and Stratigraphy

Hall, 2013

South China Sea extended continental margin

BORNEO

Magnetic Polar.

Geostratigraphy GSA (2012)

System

Stages

Age (Ma)

Messianian

MK INTRUSION

Late

Tortonian

Middle

Serravallian

Miocene

Langhian

100 km

Kinabalu granite

Crocker

North Sabah delta wedge

Fold and Thrust Belt

NW Borneo Trough

Upper crust

Paleogene extensional faults

Early Miocene thrust faults

Miocene extensional faults

Dangerous Grounds

Hall, 2013

Major Sand Input

Sabah Deep Water Murphy

Morley (2009)

H100

H110

H120

H130

H140

H150

H160

H170

H180

H190

H200

H210

H220

H230

H240

H250

H260

H270

H280

H290

H300
Variation in Systems across East Malaysia offshore

Northern part of East Malaysia basin

NW

H110 - ~8 Ma

H300 - ~10 Ma

Southern part of East Malaysia Basin

NW

H110 - ~8 Ma

H300 - ~10 Ma
Present day topography – view towards South East

Mt Kinabalu

Narrow Shelf ~ 100 km

Slumping, Canyons

Fold Belt

Sabah Trough

~360 km

Central Block H

South Block K
Sabah Exploration Wells 2015 and Fields
K Field – discovery made in 2002

- Thrusted anticline; 4-way dip closures; Gas wipe-out on crest
- Late Miocene turbidites, massive & thin-bed sandstones; High porosities
- High quality light oil, minor gas
- Sealed by Mass Transport Deposits; up to 100s of metres HC columns
K Typical Reservoir – Thick Bed vs Thin Bed

- **Typical Reservoir**
  - **Thick Bed vs Thin Bed**

**Type Well**

**Interpreted logs**

- **Thickness**
  - Thick bed: 10cm
  - Thin bed: 10cm
  - Laminated: 10cm
  - MTD: 10cm

- **Reservoir Zones**
  - Separated by non-reservoir Mass Transport Deposits (MTDs)

- **Quality**
  - High quality, poroperms 28-32%, ~1,000mD

- **Bedding**
  - Sharper bed bases & tops
  - Thin bed (cm thickness)
  - Mudrock interbeds

- **Depositional Environments**
  - Submarine fan facies
  - Parallel & ripple lamination
  - Individual beds fine upwards
  - Carbonaceous material
Reservoir Sandstones and Mass Transport Deposits (MTDs)
Mass Transport Complexes/Deposits

Understanding the roles and connection between MTC/Ds and sand delivery systems is key
Source Rock and Petroleum Systems model

- Organic Matter accumulated in a deltaic peat environment → Re-deposited onto the shelf → transported to Deep water associated with sands
- Low TOC (<2%) and Low HI (<200HI) Terrestrial Source rock
Block H Exploration Success

- Rotan discovery in 2007
- Cluster of 8 dry gas discoveries
- Murphy to provide feedstock gas to PETRONAS FLNG Project
Complex Relationship between Deposition, Tectonics and Erosion
Rotan reservoir sands deposited in one of a series of mini-basins that developed beyond the shelf-edge break

- Sands accumulated in series of structurally-controlled mini-basins
R Play - Logs and Core

- Up to 200m gross thickness, massively bedded, unconsolidated, high quality reservoirs
- PHI_T 28-37% with high S_g and low V_sh
- One reservoir & one contact per structure
H136 ROTAN PLAY – SANDS DEPOSITED INTO STRUCTURAL LOWS - INVERTED TO FORM STRUCTURAL-STRATIGRAPHIC TRAPS

3D Perspective looking East

-50m
SEALEVEL 0m
75m
150m
H136 ROTAN PLAY – SANDS DEPOSITED INTO STRUCTURAL LOWS - INVERTED TO FORM STRUCTURAL-STRATIGRAPHIC TRAPS

BACKGROUND
HEMIPELAGIC
DEPOSITION

SHELF
SEALEVEL 0m
75m
150m
400m

SLOPE

3D Perspective looking East

NON DEPOSITION

BACKGROUND
HEMIPELAGIC
DEPOSITION
Exploration Model – Initial expectations

NORTH

H100
H110
H150
H200
H300

SOUTH

50–80 km²

250 KM

50–80 km²

www.murphyoilcorp.com

NYSE: MUR
Exploration Model – Current reality!

Working at reservoir scales is key to exploration success.

5–10 km²
Concluding Remarks

• Deep-water East Malaysia remains an under-explored but prolific basin

• Major sand input along margin over a short period ~3 Ma

• Same age but variable depositional patterns along the same margin

• Complex interaction between deposition and structural history
  • Understanding this relationship is the key to unlocking Exploration potential
  • Essential work – PSDM, structural reconstruction

• Apply creative thinking to Development options. A close working relationship with the regulator is crucial

• New ideas – don’t be afraid to challenge existing dogma and be creative!
THANKS!