Development of Mechanically Layered Haynesville-Bossier Shale-Gas Play*

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Abstract

The Haynesville shale is characterized by high TOC, good porosity, high gas saturation, low clay content and nanoDarcy permeabilities, all which makes for an exceptional shale gas reservoir. However, recent well IP's have been variable, and given the planned extensive development, it is necessary to de-risk some of the geologic variables to up-grade acreage and optimize well development plans. This was done through a two-part study covering the greater Sabine area of northwestern Louisiana, USA. The first part focused on defining the depositional environment, reservoir characteristics, and facies variation through inorganic element analysis, XRF, XRD, petrography, and biostratigraphic classification of macro- and nanofossils. The second focused on interpretation of present-day stresses and characterization of the natural fracture from core, image logs, and micro-seismic data. Both parts were then integrated to assist in sweet spot definition and well planning and optimization.

Results suggest that the Haynesville's reservoir properties (clay/calcite content, TOC, perm) are mappable showing trends that can roughly be correlate with IP rates. However, on a well-to-well basis, it is unclear what the contribution of a single property is (e.g., TOC or porosity) to productivity, and hence the predictability of future well rates or location. Similarly, fracture distribution shows mappable trends. These fractures are generally calcite cemented, and hence cannot directly contribute to well productivity unless reactivated during the stimulation. Vertically, fractures occur more extensively in the lower and upper Bossier than in the Haynesville and Mid-Bossier forming a mechanically layered system.

We show that mechanical layering combined with reservoir properties, complicates play development because the less fractured layers are richer in TOC than the highly fractured layers. Thus, while one could target a high TOC layer, the lack of fractures could hinder productivity. At the same time, the lack of natural fractures allows stimulated fracs to grow longer because the presence of natural fractures in the path of a stimulated frac dissipates its energy and produces shorter or segmented ones. A successful shale gas play development thus requires: 1) characterizing the competition between stimulated frac efficiency and value of natural fractures, or 2) realizing the balance between choosing the right reservoir properties, and reactivation of pre-existing fractures.

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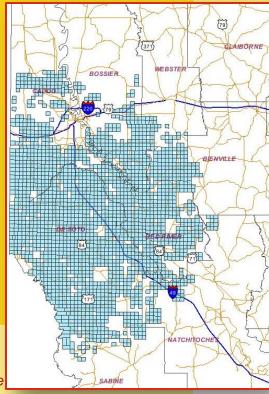
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Reserves: Our use of the term "reserves" in this presentation means SEC proved oil and gas reserves for all 2009 and 2010 data, and includes both SEC proved oil and gas reserves and SEC proven mining reserves for 2008 data.

Resources: Our use of the term "resources" in this presentation includes quantities of oil and gas not yet classified as SEC proved oil and gas reserves or SEC proven mining reserves. Resources are consistent with the Society of Petroleum Engineers 2 Pand 2 C definitions.

Organic: Our use of the term Organic includes SEC proved oil and gas reserves and SEC proven mining reserves (for 2008) excluding changes resulting from acquisitions, divestments and year-average pricing impact.

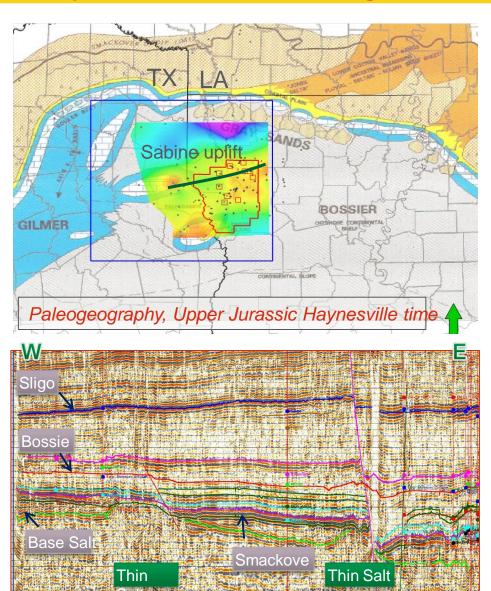
To facilitate a better understanding of underlying businessperformance, the financial results are also presented on an estimated current cost of supplies (CCS) basis as applied for the Oil Products and Chemicals segment earnings. Earnings on an estimated current cost of supplies basis provides useful information concerning the effect of changes in the cost of supplies on Royal Dutch Shell's results of operations and is a measure to manage the performance of the Oil Products and Chemicals segments but is not a measure of financial performance under IFRS.

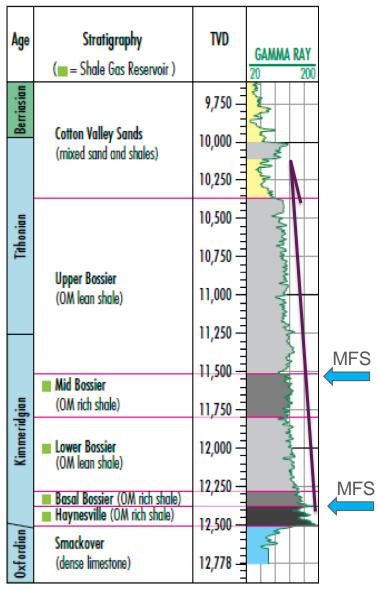
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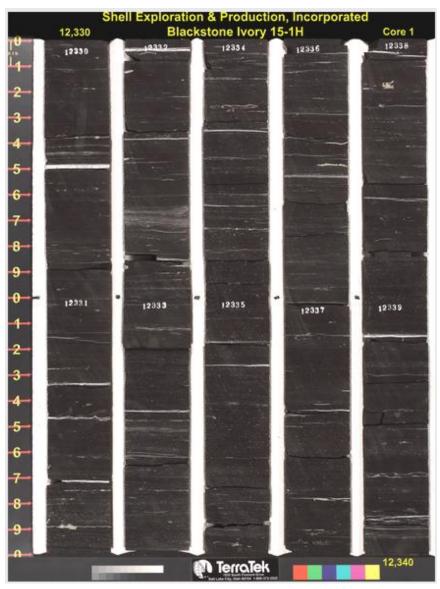
The United States Securities and Exchange Commission (SEC) permitsoil and gas companies, in their filings with the SEC, to disclose only proved reserves that a company has demonstrated by actual production or conclusive formation tests to be economically and legally producible under existing economic and operating conditions. We use certain terms in this presentation, such as resources and oil in place, that SEC's guidelines strictly prohibit us from including in filings with the SEC. U.S. Investors are urged to consider closely the disclosure in our Form 20-F, File No 1-32575, available on the SEC website www.sec.gov. You can also obtain these forms from the SEC by calling 1-800-SEC-0330.

Haynesville-Bossier Regional Setting

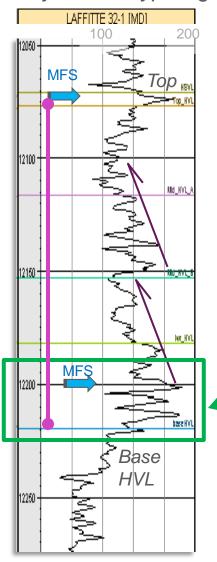




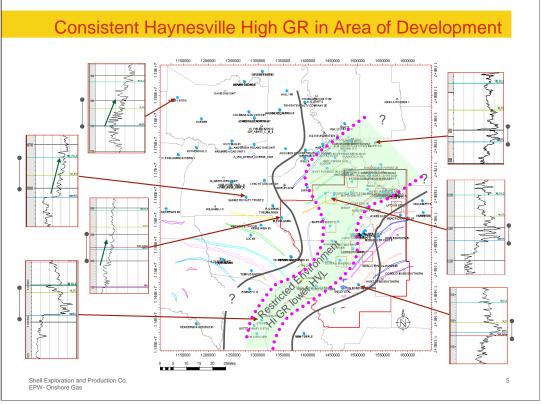
The Haynesville Shale



Haynesville Type log

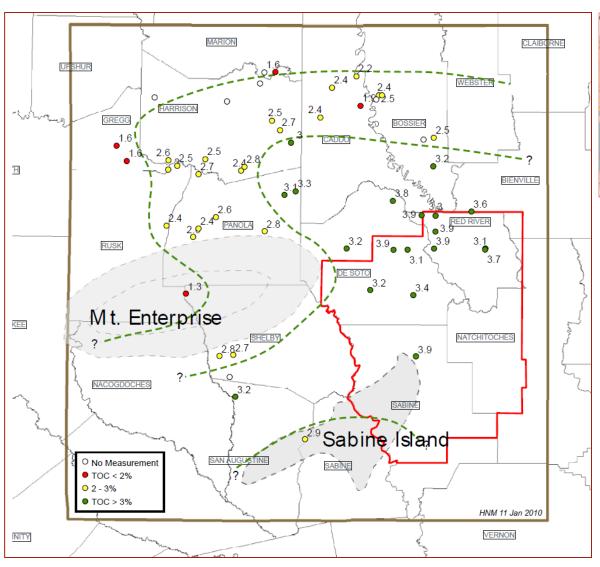


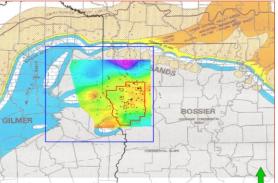
- Haynesville:
 Monotonous
 dark shale with
 occasional silt
 and carbonaterich shales.
- Vertically "coarsening" upwards cycles.
- Highest GR at base, 40-50 ft.



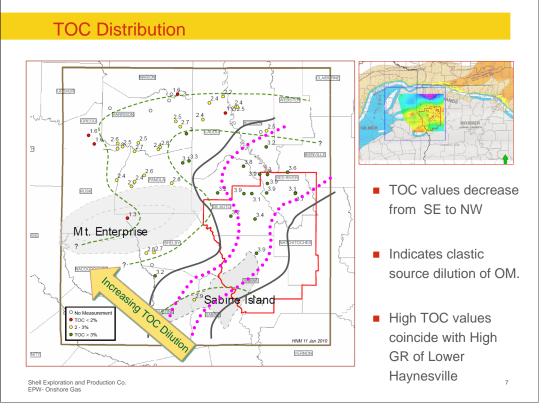
Presenter's notes: Well developed GR lower section is restricted to a corridor trending NE parallel to main fault system to the north and south.

TOC Distribution



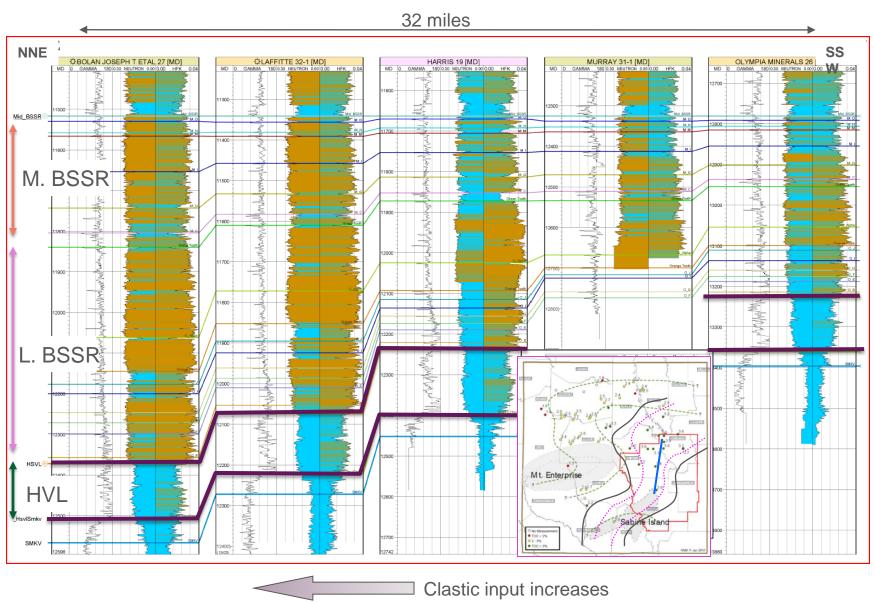


- TOC values decrease from SE to NW
- Indicates clastic source dilution of OM.
- High TOC values coincide with High GR of Lower Haynesville

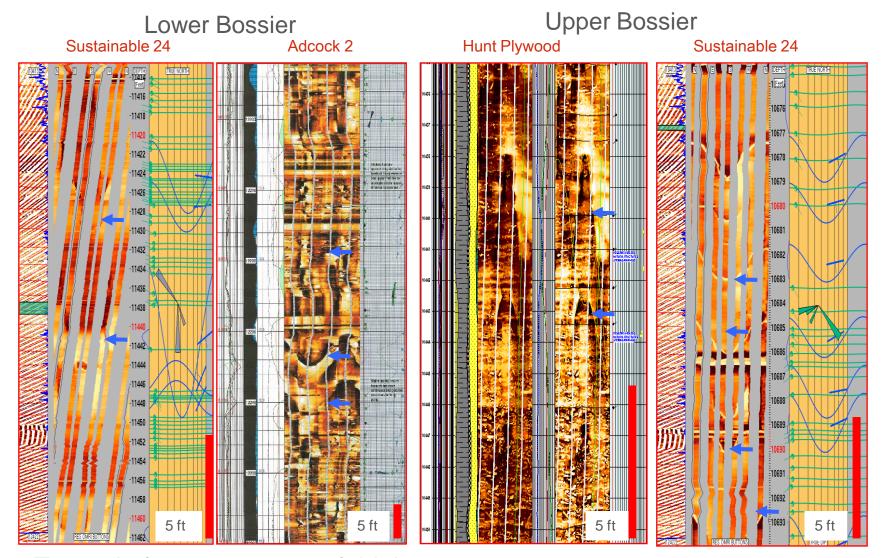


Presenter's notes: Present day TOC averages higher than 3% tend to exist and within the Shelby trough between the Sabine and Mt. Enterprise highs (outlined in grey). HSVL tends to thin over both paleo highs, implying that pre-existing basement topography could have effected the distribution and settling of terrigenous material within the Greater Sabine area. The highs undoubtedly disrupted water circulation patterns and settlement rates in the basin, potentially shielding the Shelby trough from being inundated by significant clay and contributing to the stagnant water conditions during early euxinic/anoxic HSVL times.

Detailed Stratigraphic Correlations



Fracture Observations: Bossier

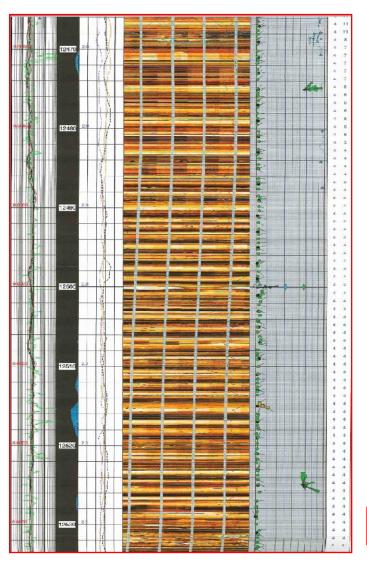


Tectonic fractures 5->10 ft high

Fracture Observations (or Lack of): Haynesville

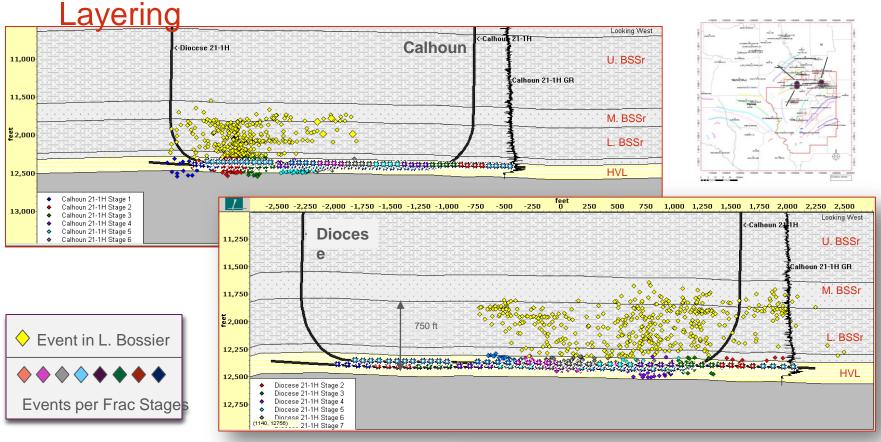
Elm Grove Plantation 63

Adcock 2

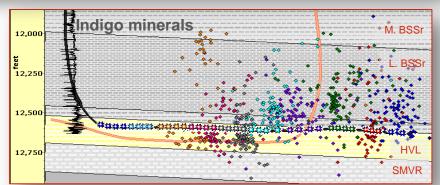


5 ft

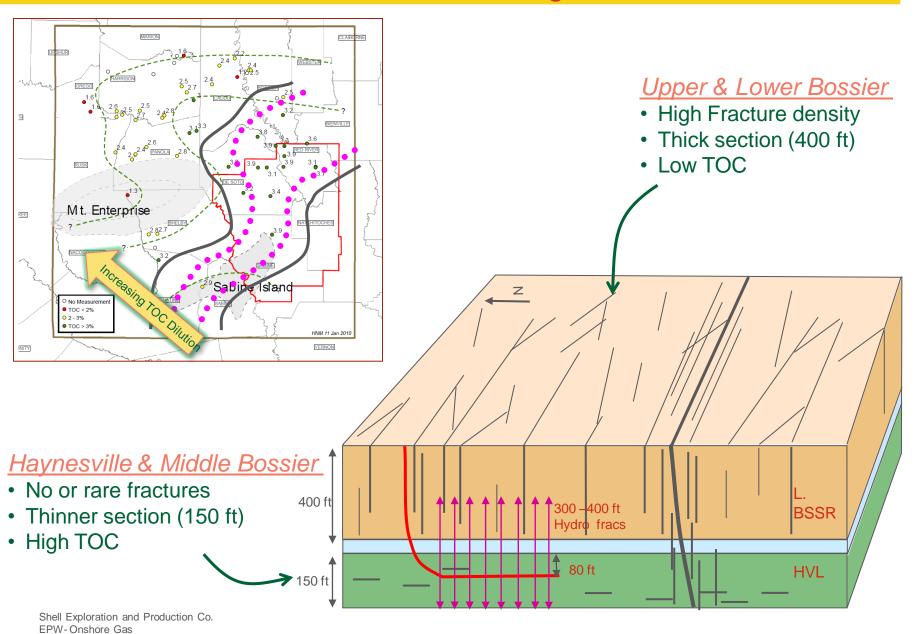
Micro-seismic: Evidence of Fracturing & Mechanical



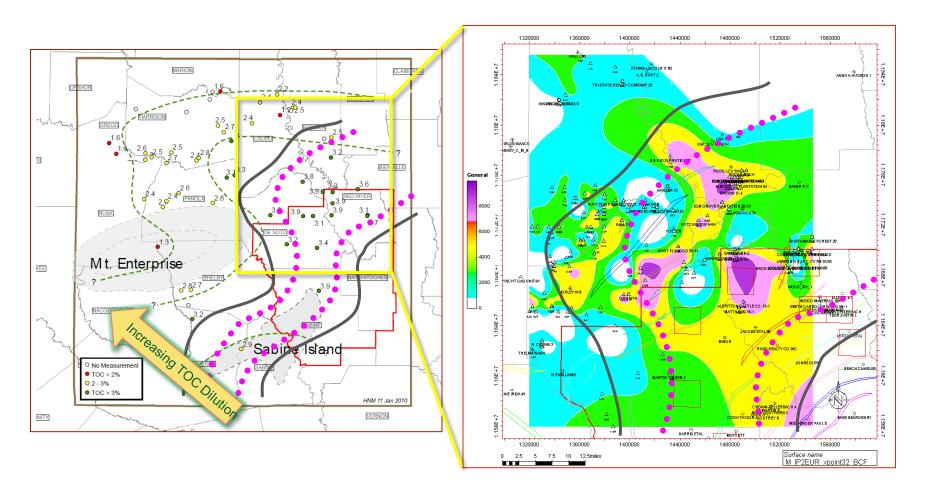
- > 60% of events in L. Bossier
- Events recorded 750' high.
- Frac Barrier



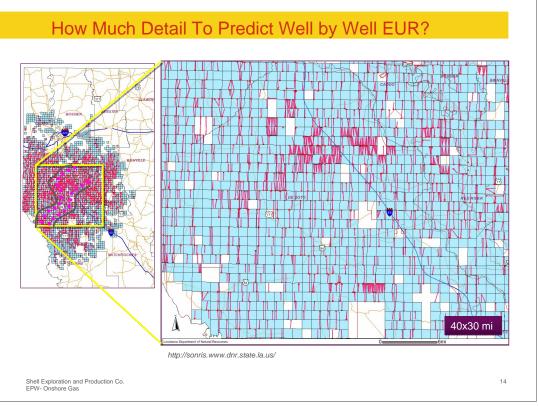
Current Model and Understanding



Comparison of Haynesville "Fair Way" With IPs

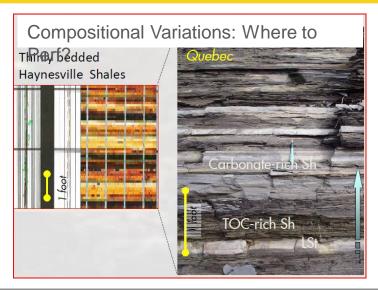


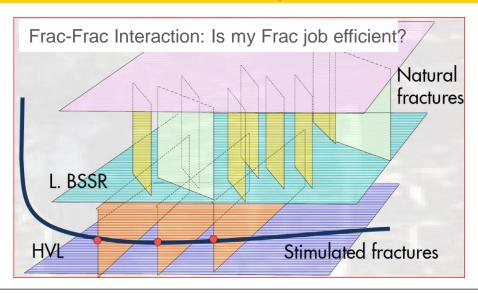
 From a play perspective, there is a good Correlation between IP and TOC / High GR member of the Haynesville.



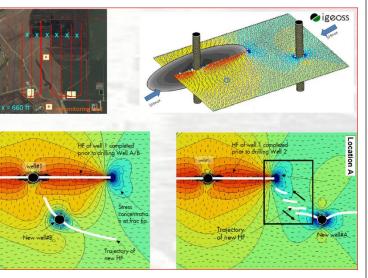
Presenter's notes: On this map, the blue squares represent the Haynesville Shale's proposed or adopted drilling and production units. Together, they cover 1.5 million acres. That is not including the Texas side. Considering a development spacing of 160 acres per well, that is nearly 90-95k wells, of which only 2000 are drilled.

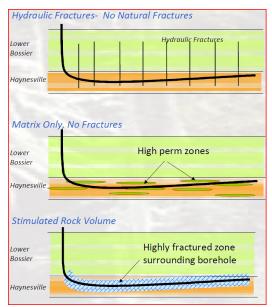
Some Development Optimization Challenges.....

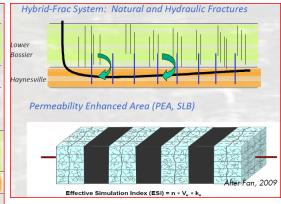




Local stresses: Well & frac optimization







Modeling Shales: Simulation and EUR prediction Where does the gas come from?

