International Finance Corporation
World Bank Group

Geothermal Drilling

An analysis of global data

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Agenda

- Background / context
- Defining success
- Highlights
  - Success
  - Capacity
- Factors affecting success and capacity
- Conclusions

Disclaimer

- The data presented here is based on a preliminary analysis
- Conclusions still need to be checked, verified, and peer-reviewed
- Do not quote or cite any findings
- This presentation does not claim to serve as an exhaustive presentation of the issues it discusses and should not be used as a basis for making commercial decisions
- Please contact me for further information and to receive the final version when completed
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Background

- The ability to accurately estimate drilling success rates increases confidence in a geothermal project
  - Helps to quantify the expected risk
  - Supports resource modeling assumptions
  - Improves access to financial support
- Previously, there has been little historical record that can be used to justify forecasted success rates
  - Well data is often confidential, proprietary information
  - No central database
  - Local databases may be incomplete, giving an inaccurate picture
- We'd like to quantify the drilling risk, and assess what factors affect the risk and by how much

A summary of available data

- The database covers:
  - 14 countries
  - 57 fields
  - 2,613 wells, thought to represent ~70% of all commercial wells drilled around the world
    - 7,700MW installed in the fields in the database, compared with 10,700MW installed worldwide

- Categories of data include
  - Completion date
  - Well status
  - MW capacity of wells
  - Depth
  - Resource type
  - Geology type
  - Production casing size
  - Pumped and re-drilled status

Data compiled by GeothermEx

Quantifying geology and resource types

We have attempted to categorize the geology and resource characteristics of the geothermal fields so that we may assess the impact on success rates

Geology type

Code	Description
1	Granitic / higher-grade metamorphic
2	Tertiary and older volcanic/volcaniclastic - large-scale volcanic structures absent
3	Younger volcanic/volcaniclastic - large-scale volcanic structures (volcanoes, calderas) preserved
4	Sedimentary Basin - clastic, drilled above basement
5	Sedimentary Basin - clastic, wells drilled into basement

Resource type - enthalpy

Code	Description	Temperature
1	Non-electric	$<100^oC$
2	Very low temp.	100^oC to 150^oC
3	Low temp.	150^oC to 190^oC
4	Moderate temp.	190^oC to 230^oC
5	High temp.	230^oC to 300^oC
6	Ultra high temp.	300^oC +
7	Steam field	230^oC to 240^oC

How to define success?

- There is no recognized basis for defining drilling success
- Any well that is drilled but isn't used is unsuccessful, but what about partial success?
  - Completely dry holes are rare
  - Wells with low productivity may be pumped, re-drilled, or used for injection or observation
  - Wells' output may deteriorate over time, in which case, was it initially successful?
- Ultimately, success depends on the ROI of each well
  - Factors in cost of well and economics of power plant
  - Hard to calculate on a well-by-well basis
  - Availability of data
  - MW output per $ of drilling cost may be simpler
- A simple MW threshold has been used in this analysis, where other data isn't available
  - Statuses of 12% of wells in database are unknown

Phases of a project

- As a project develops, understanding of the reservoir improves
- This aids in targeting of wells and should improve the success rate
- A project can be split in to different stages:
  - Exploration
    - Early stage drilling to establish reservoir characteristics
  - Development
    - Drilling to reach planned capacity output
  - Operation
    - Drilling to replace lost capacity
- Length of each stage will vary between projects

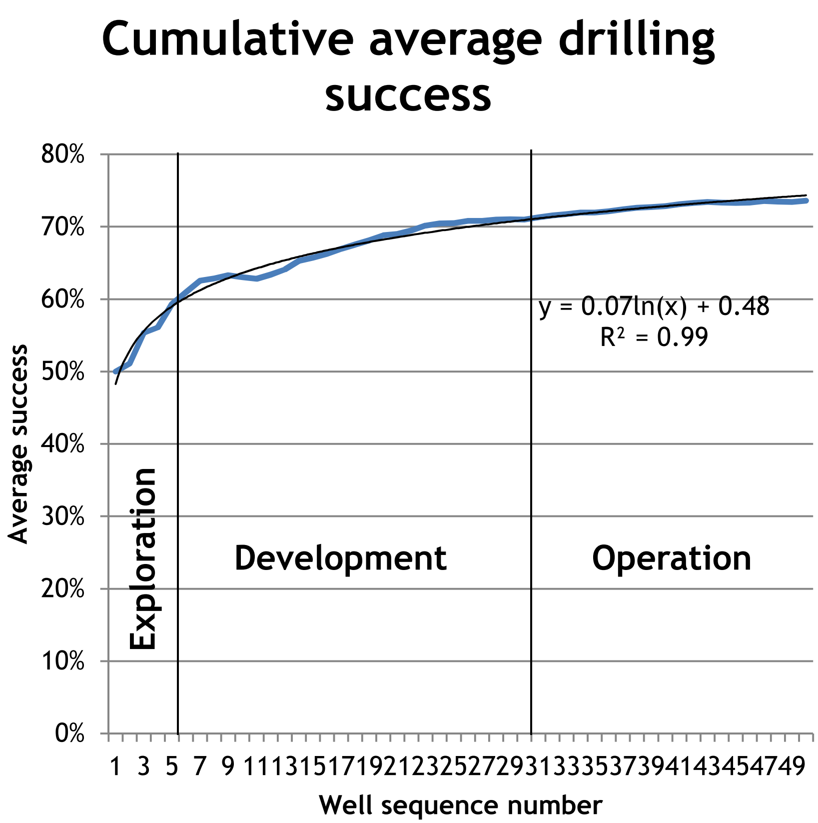
Highlights

Stage	Well numbers	Success rate	MW Capacity		% re-drilled
			Mode	Average	
Exploration	<=5	59%	4	6.0	15%
Development	>5,<=30	74%	2-5	7.3	14%
Operation	>30	83%	3	7.5	18%
OVERALL	**All**	**78%**	**3**	**7.3**	**16%**

- Success rate improves as the project progresses (learning curve)
- Capacity of wells does not significantly improve beyond the exploration phase
- Re-drilling is equally common in each phase

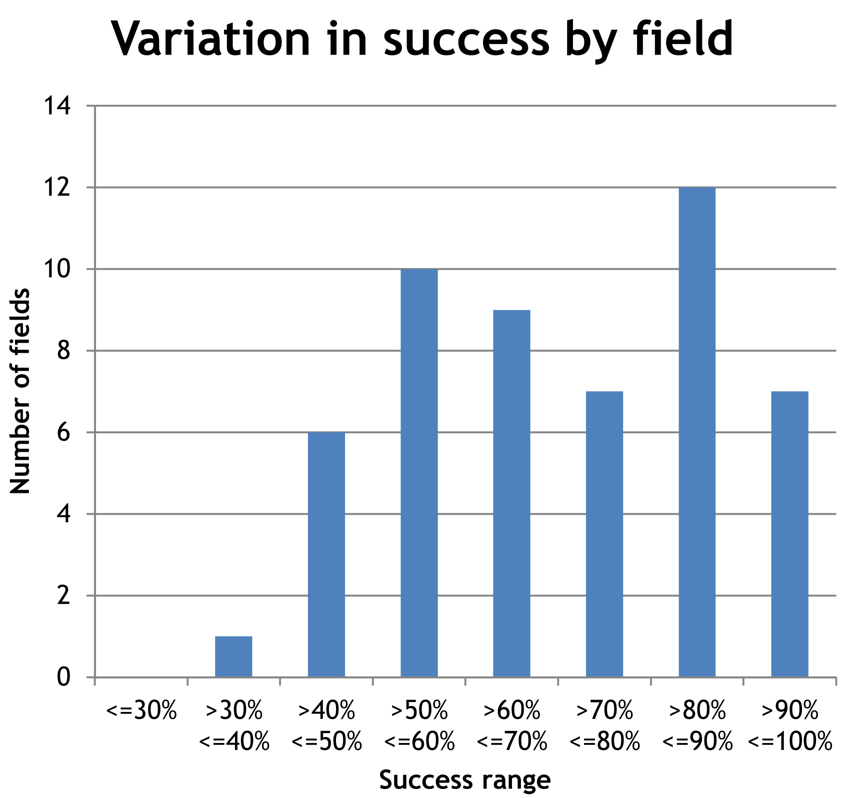
Success

Evidence for the "learning curve" effect



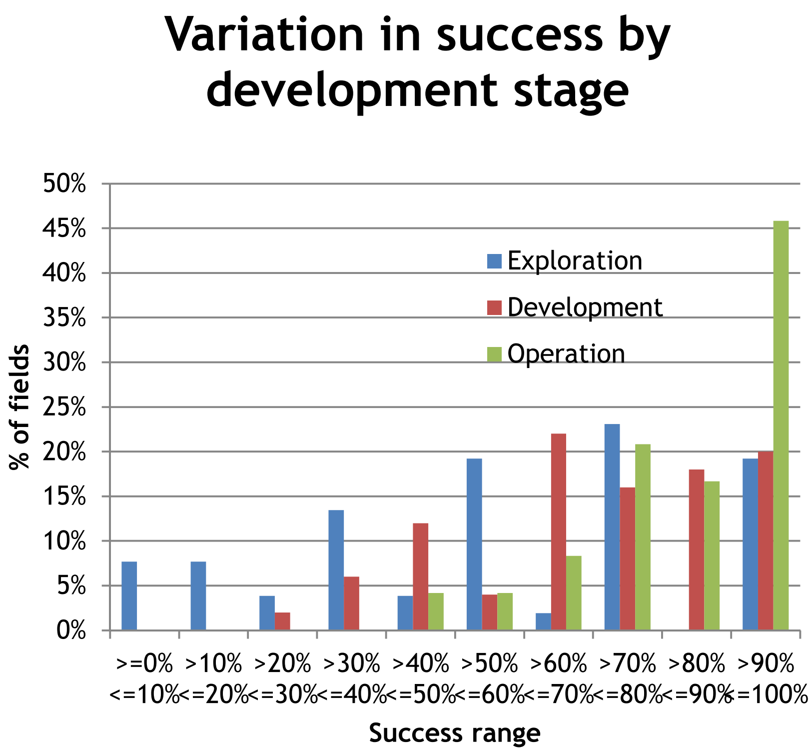
- It is expected that well drilling becomes more successful with more wells drilled in a field
  - Each well drilled helps to refine knowledge of the size and location of the resource
- The available data supports this theory
  - Success on the first well appears to be about 50:50, on average
  - Cumulative success rate rises rapidly in the first few wells
  - The cumulative success rate continues to rise as later wells are consistently more successful

Variations in success



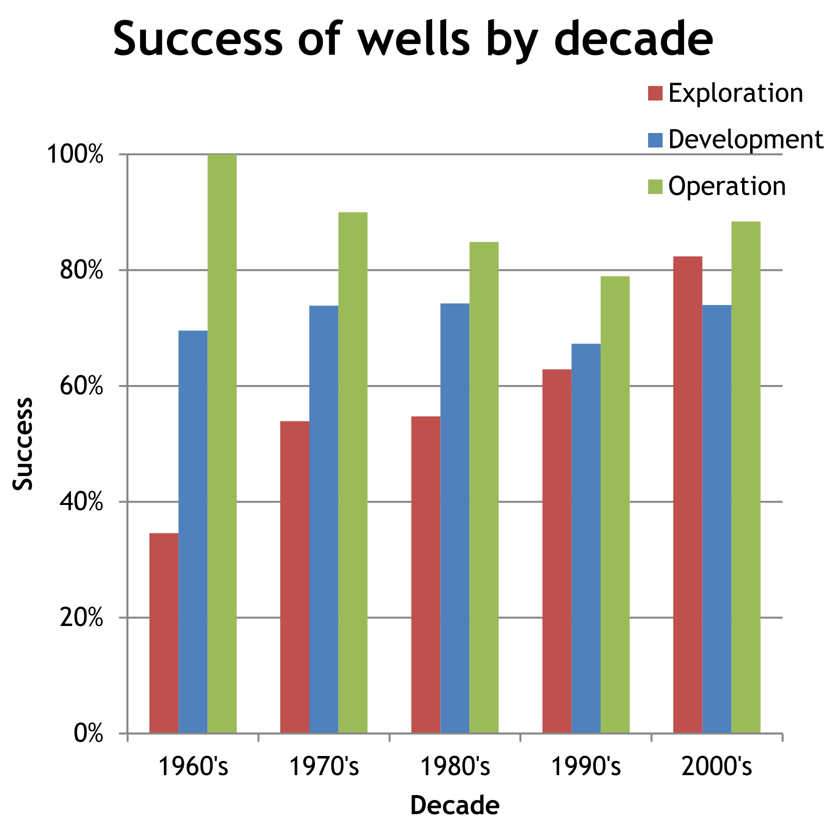
- Developers and financers are not just interested in absolute risk, but also the risk variability
- The database suggests that most fields have an overall success rate of over 50%, and 80-90% is the most common
  - Implies new projects should expect success rates above 50% but could be significantly higher

Variations in success by phase



- There is a wide range of success rates seen in the Exploration phase => no real way of assessing likely success rate
- Success in the Development phase is most frequently around 60-70%, though also commonly above this
- Success in the Operations phase is higher, normally 90-100%

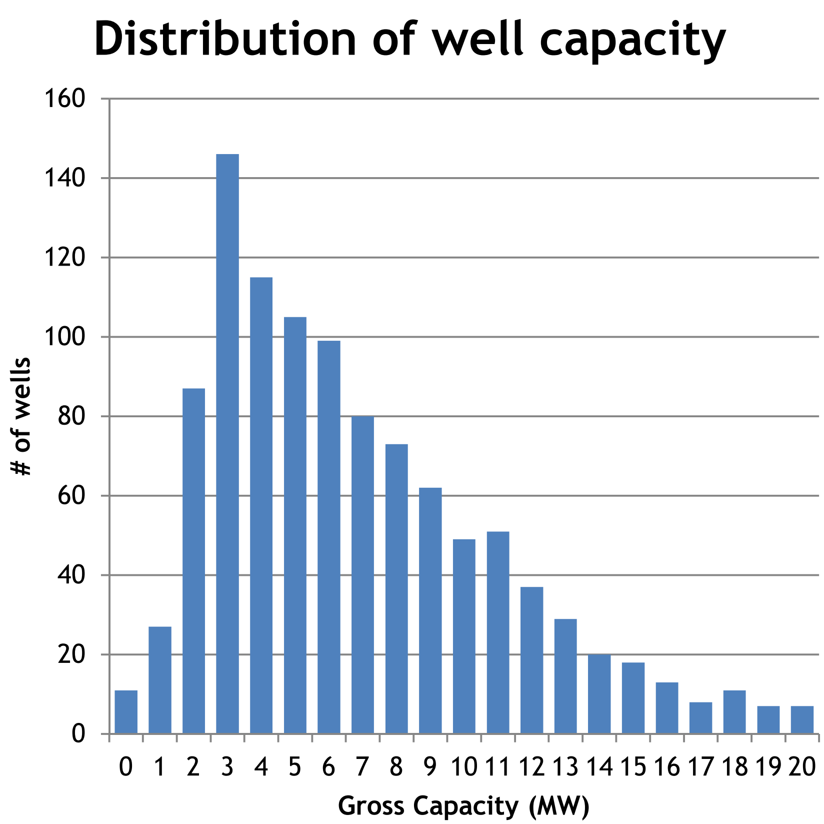
Improvements over time



- Exploration appears to have become more successful over the last 50 years
  - Possibly caused by better exploration techniques
  - NB. Wide variation in success rates in this stage makes averages potentially mis-leading
- No significant changes in success rates of development wells over time
- Operation wells appear to have become less successful
  - Possibly caused by older fields being fully exploited

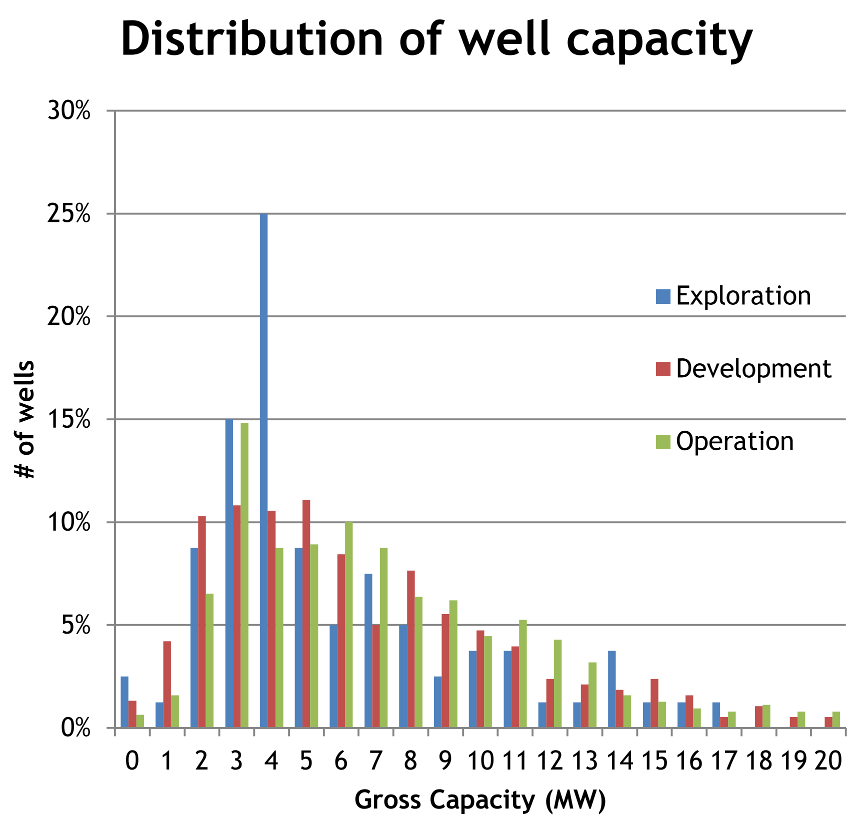
Well capacity

Distribution of well capacity



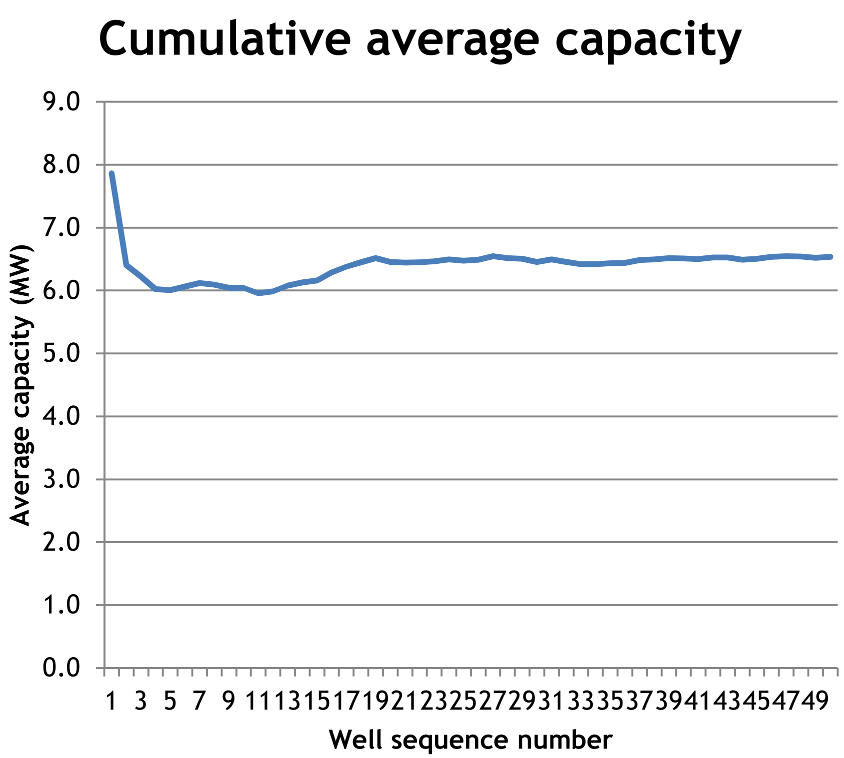
- Well capacity follows a positively skewed distribution
  - Mode is 3MW
  - Average is 7.3MW
  - Skew is 1.64
- A wide range of capacities are possible
  - Maximum capacity of a single well in the database is 54MW

Changes of capacity with project phase



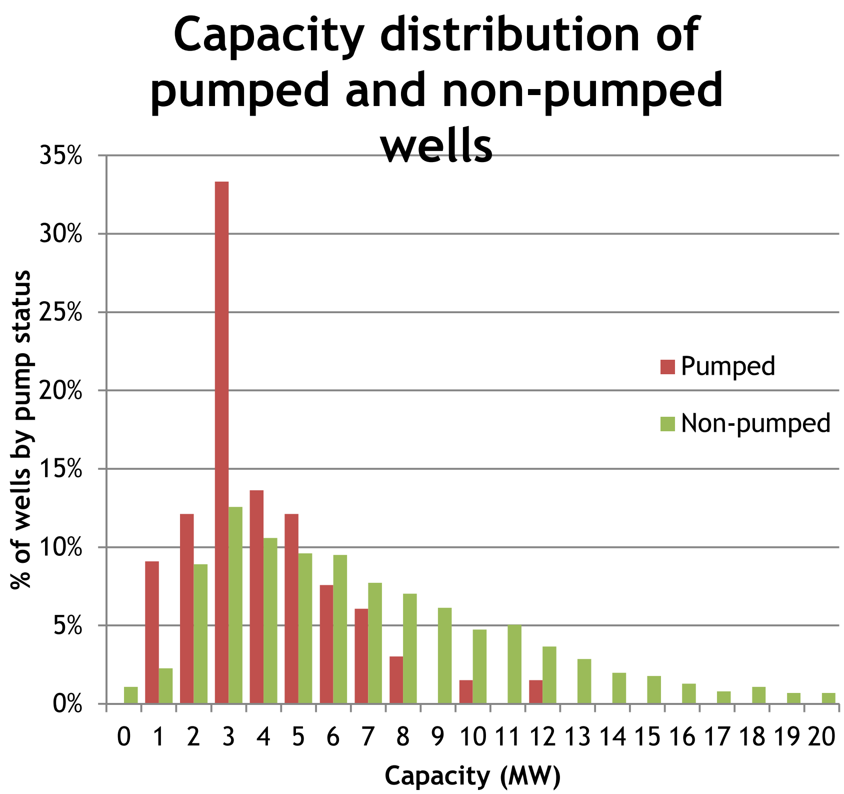
- The distribution of well capacities is similar in each stage of project development
  - Do not expect improvements in capacity of wells as a project progresses
- Exploration has a slightly higher mode (4MW)
- In Development, 2-5MW are equally common

Improvement of capacity in a project



- There is very little improvement in the capacities of wells as drilling progresses
  - No learning curve

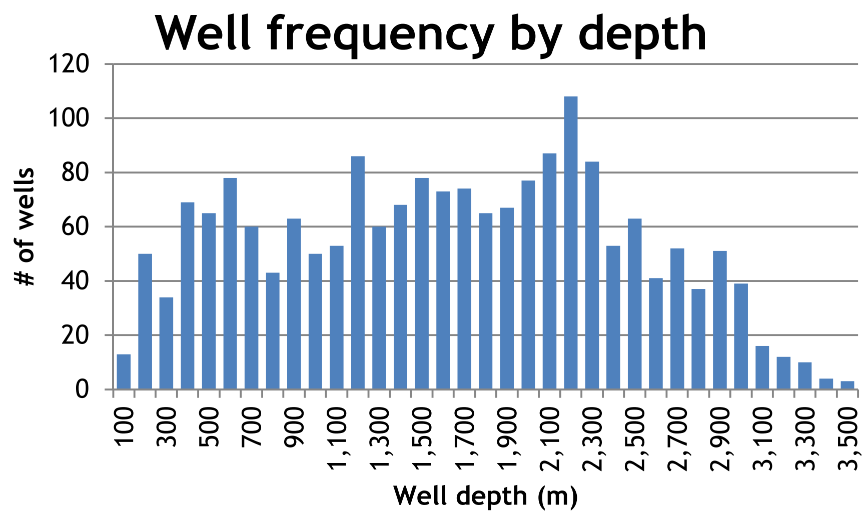
Impact of pumping on well capacity

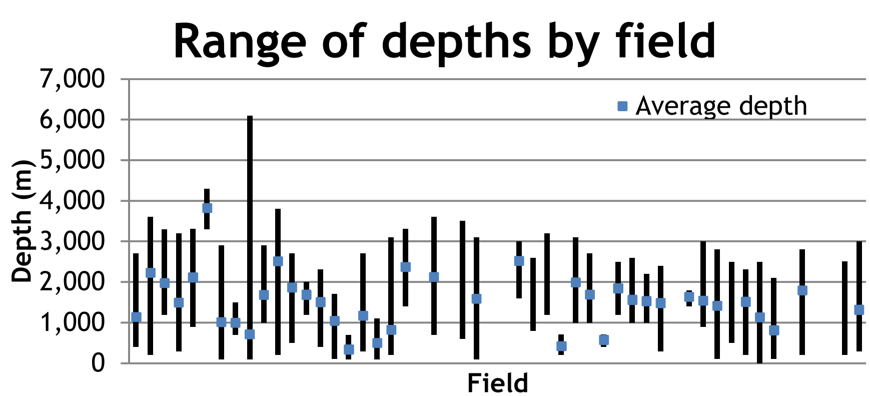


- Only ~6% of wells are pumped
  - Pumps can only be used in a narrow temperature range
- Pumped and non-pumped wells show similar distributions
  - Pumped wells have a narrower range of values
  - Frequency of capacity of pumped wells has a strong peak at 3MW
- Due to costs, pumping is only used where output would otherwise be marginal or low
  - Not used to boost productive wells

Factors affecting success

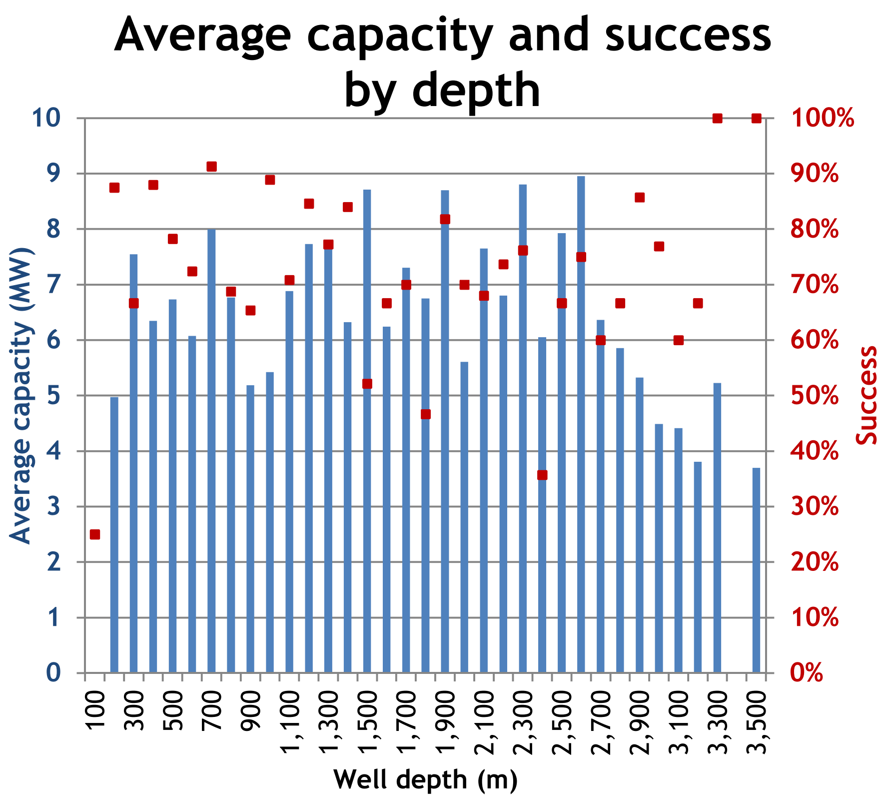
Prevalence of well depths in database





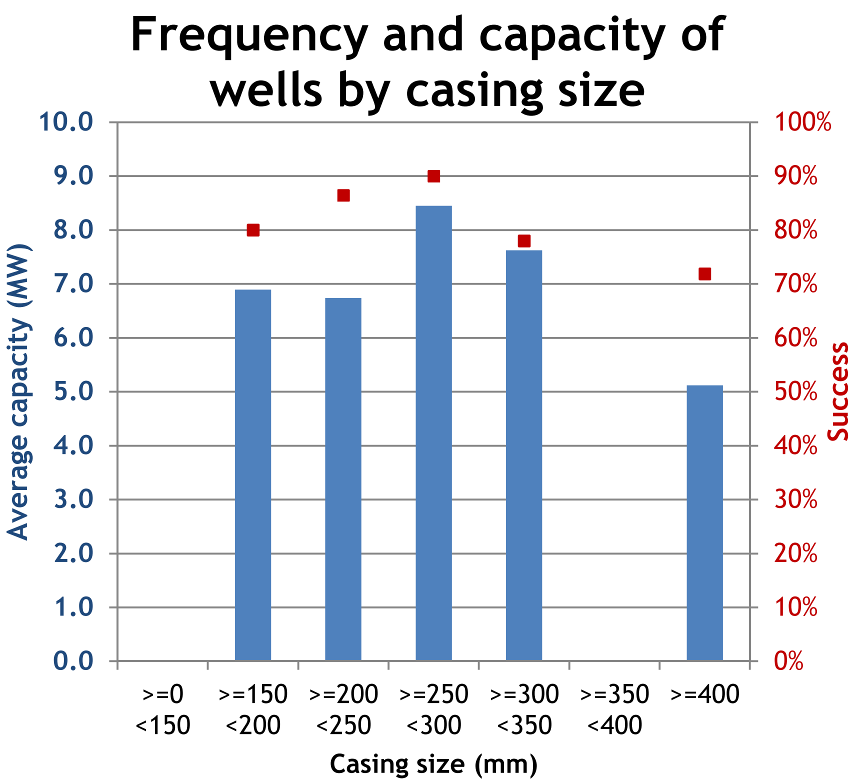
- Wells are drilled at all depths from 100m up to 6km
  - Normally less than ~3.5km
- Frequency appears to generally rise up to 2,200m
  - Clear modes at 1,200m and 2,200m
- Most fields have wells drilled at a range of depth

Impact of depth on capacity and success



- Might expect it to be easier to drill shallow wells => higher success
- There does not appear to be any correlation between well depth and success or capacity
  - Shallow wells not necessarily more successful or more productive
- However, it is cheaper to drill shallower wells, so a low productivity well may be considered successful if it is shallow/cheap
  - Cost factor is not picked up in our definition of success here

Impact of casing size on capacity and success



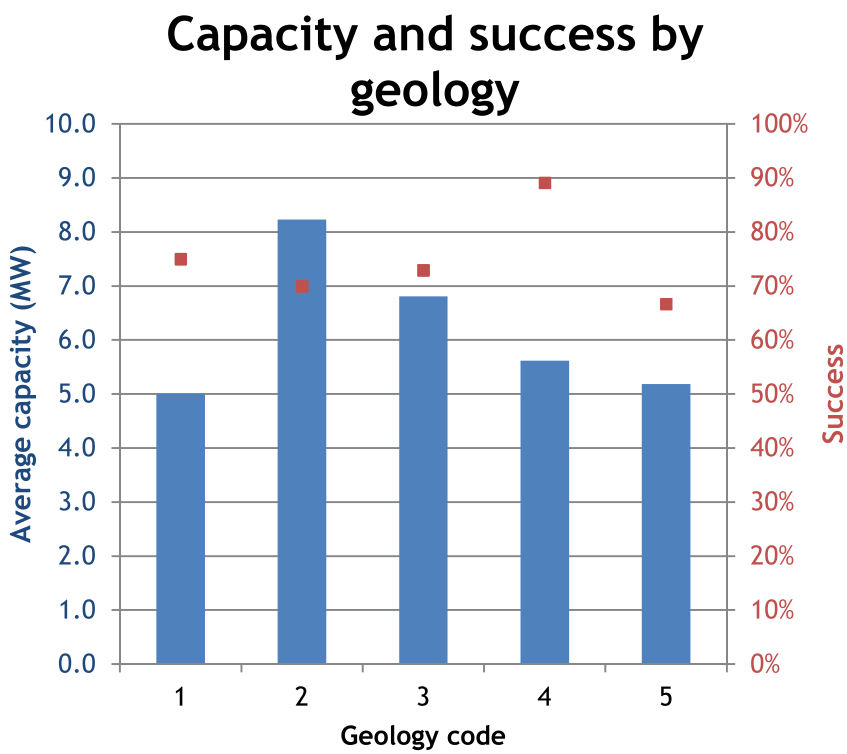
- Larger casing allows greater flow rates of fluids
  - Should allow greater well capacity
- There is no clear trend of increasing capacity with increasing casing size
- Success is not clearly related to casing size
- Casings between 200 and 350mm are the most common
- When designing drilling program, required capacity does not need to be considered

Geology and enthalpy

Average capacity (MW)		Geology code				
		1	2	3	4	5
Resource code	1					
	2					3.6
	3		3.4		3.0	
	4	4.8	6.4	6.7		6.1
	5	5.0	5.9	5.4		
	6			7.6	8.2	
	7		8.4	6.9		

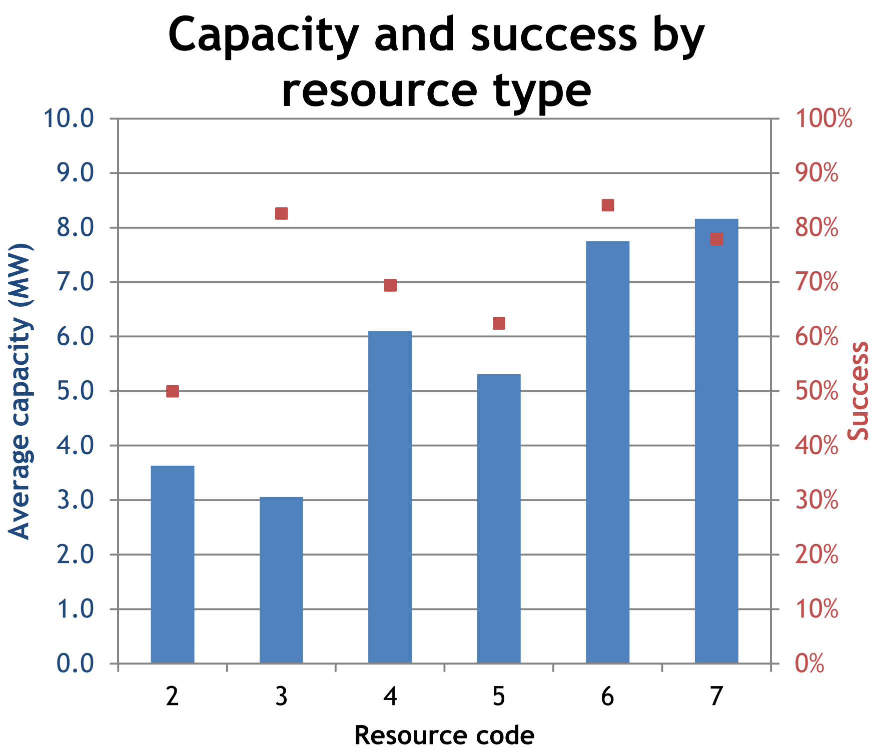
- Rock formation and enthalpy of the resource should significantly affect the productivity
- Expect capacity to increase with enthalpy
  - Enthalpy increases with resource code
- Expect rock formations with high permeability to boost capacity
  - Especially old volcanic
- Capacity roughly follows expectations

Impact of geology on capacity and success



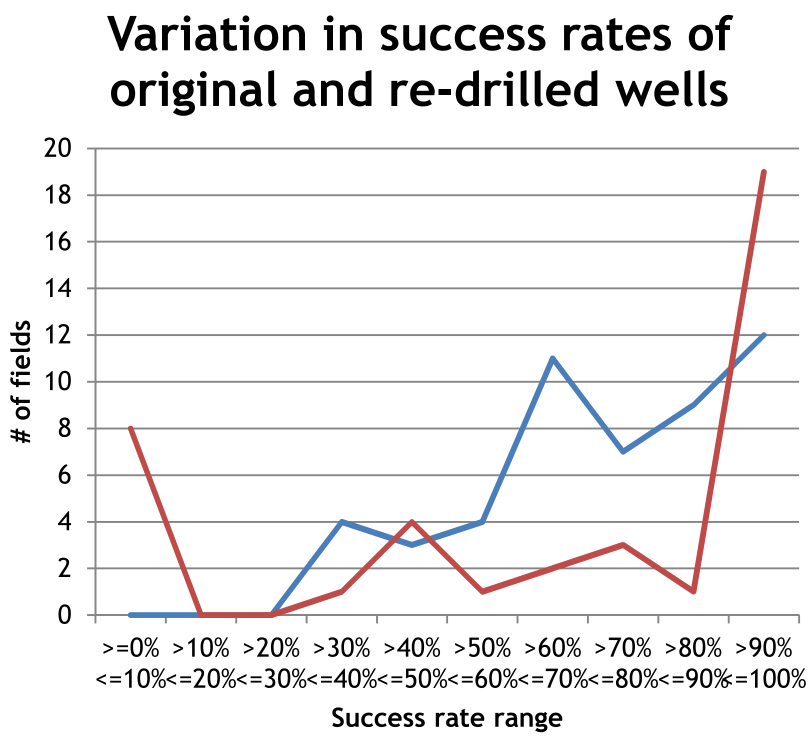
- Granitic rocks tend to have low porosity/unpredictable permeability (depending on fractures) and hence capacity is low
- The cracks present in old rock formations boost productivity
    - Volcanic rock may be alternate layers of ash and lava – permeability changes significantly between layers
- Basement rocks have similar permeability to granitic, if cracks are lacking
- Geology does not appear to affect success rates
    - Higher rate for Code 4 due to lower MW threshold of success for some fields

Impact of enthalpy on capacity and success



- Resource code is closely related to enthalpy
  - Capacity should increase with enthalpy
- Capacity does generally increase with resource code, but not strictly
  - Estimations of resource temperature in the exploration phase will be key in estimating future well capacities
- **Maximum** capacity of a well does increase with resource code
- Success appears independent of resource code

Impact of re-drilling on capacity and success



- 16% of wells have been re-drilled
- Re-drilling does improve success
  - 77% of original wells are successful
  - 87% of re-drilled wells are successful
- Re-drilling tends to have almost 100% success, or 0% success, depending on the field
- Re-drilled wells also tend to have a higher capacity
  - 7.2MW for original wells
  - 8.1MW for re-drilled wells

Conclusions

- ROI is the best measure of drilling success, but is often not practical
  - Drilling cost per MW is easier, but just the MW output is normally used, irrespective of cost
  - Assigning low productivity wells as injectors or observation wells complicates things further
- Overall, 78% of wells drilled were successful and the most common capacity is 3MW, though average capacity is 7.3MW
  - A strong learning curve is seen in success, but not in capacity, as a project progresses
  - Success is very unpredictable in the Exploration phase
- Wells can be drilled to almost any depth (<5km is normal), though 2.2km is the most frequent depth
  - Most fields have wells drilled to a wide range of depths
  - Depth does not impact likely success or capacity
- Enthalpy and geology affect well capacity, but not success
- Re-drilling improves success and capacity

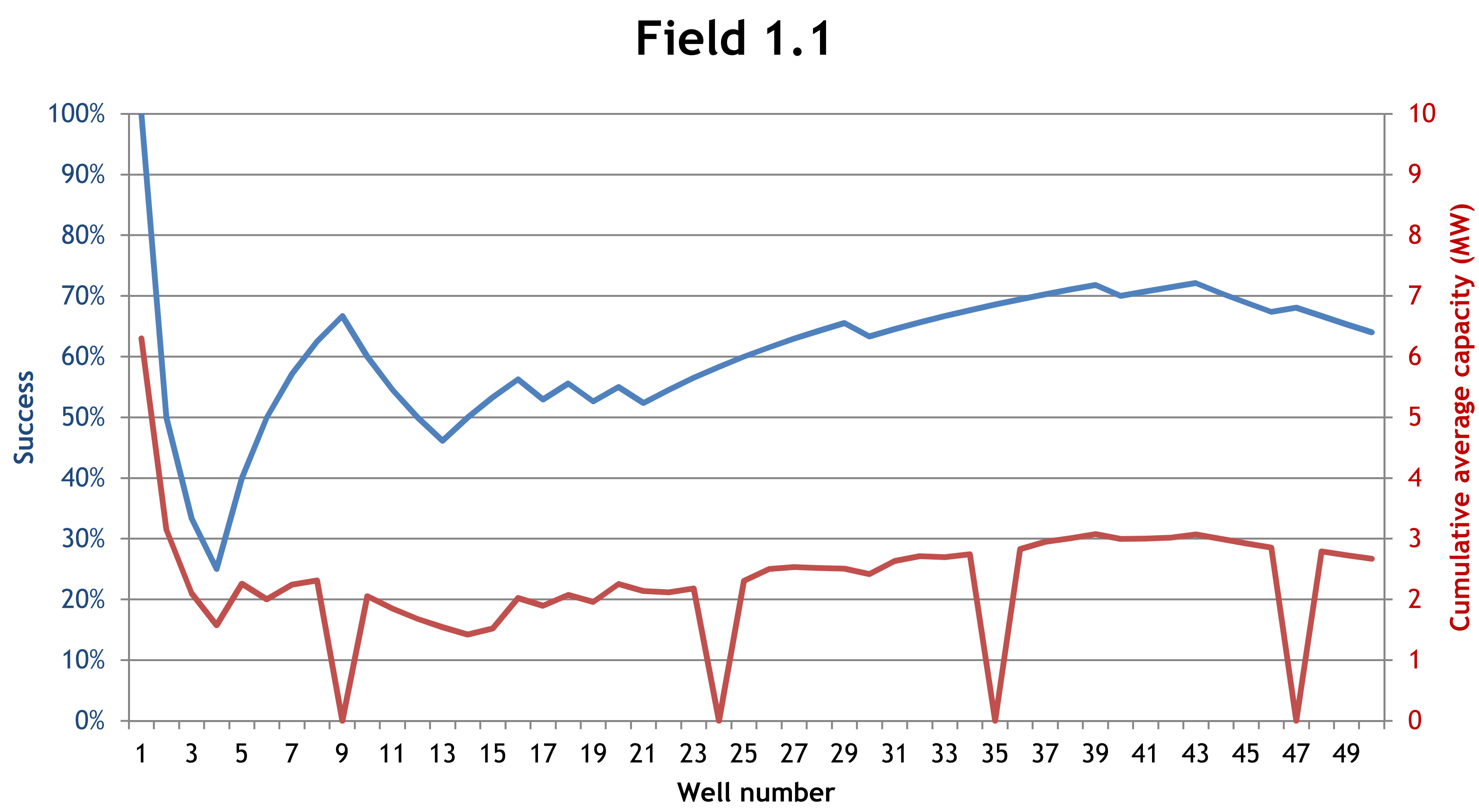
Accessing the data

- The analysis is still being finalized
  - The results presented here are based on a preliminary look at the data
- IFC will be releasing a report based on this data, and the data itself, to the public
  - Expected to be in the next couple of months
- Please contact me if you would like to be kept up to date on the release of the report and data
  - thardingnewman@ifc.org

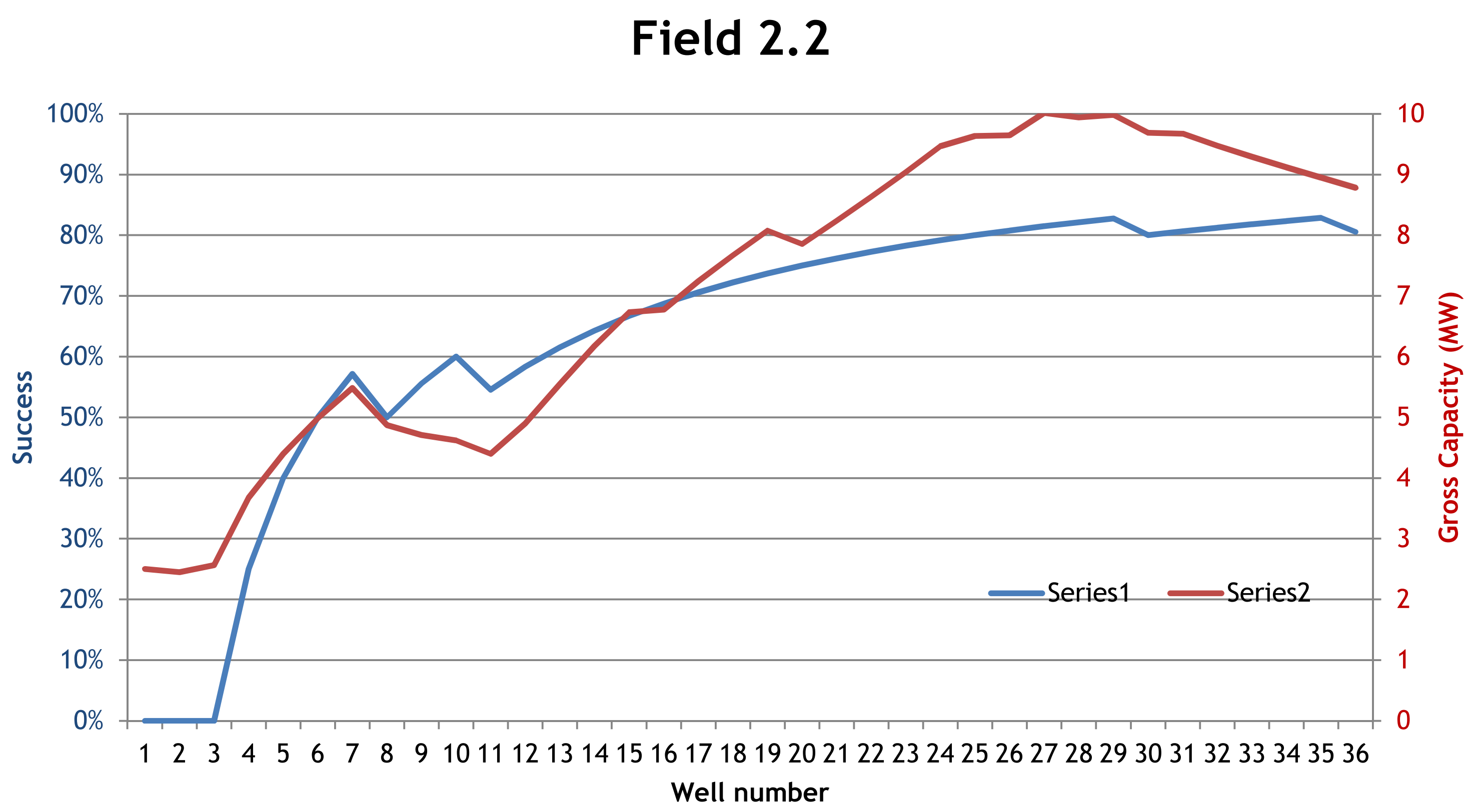
ANY QUESTIONS?

ANNEX - Individual fields

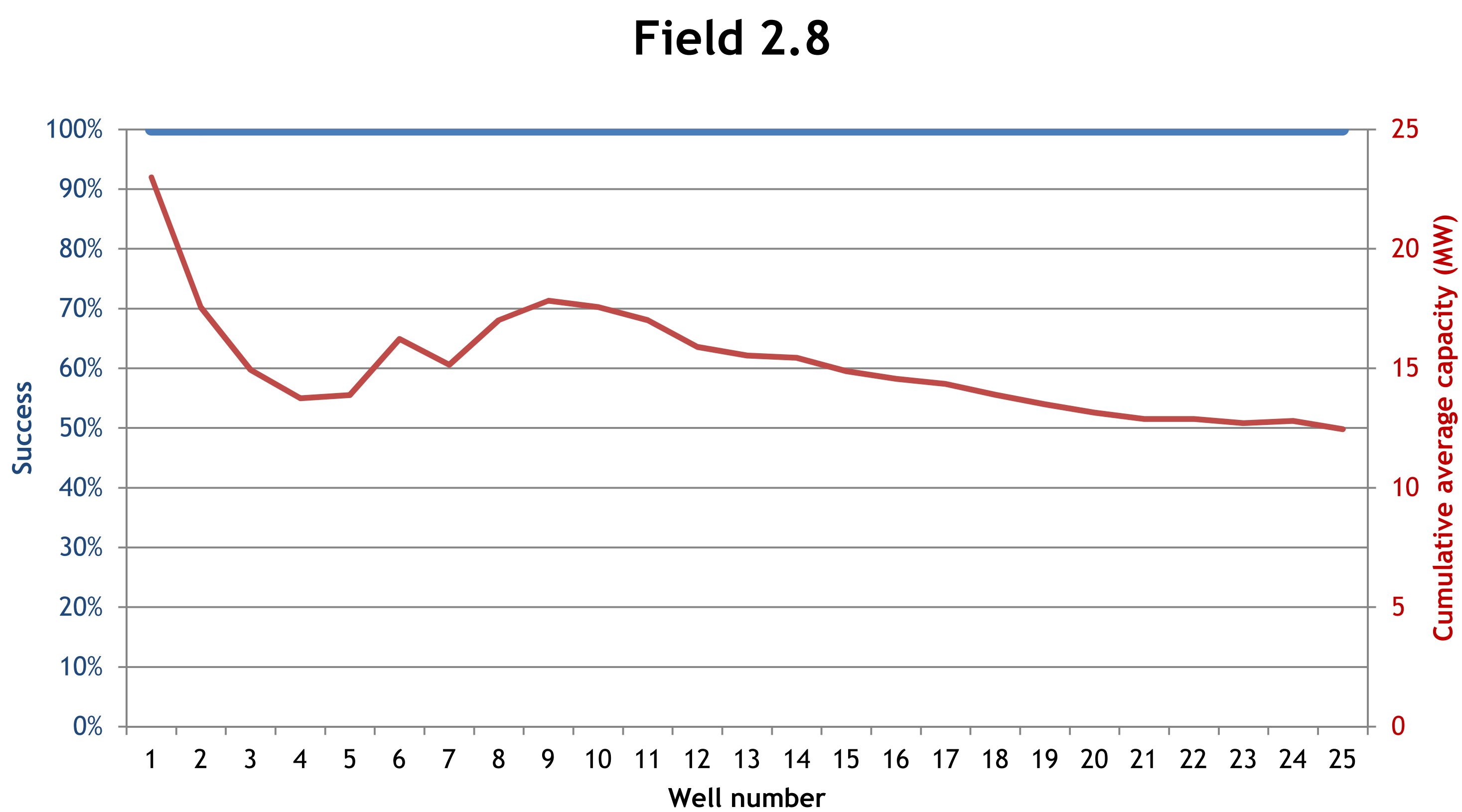
Improvements in success and capacity



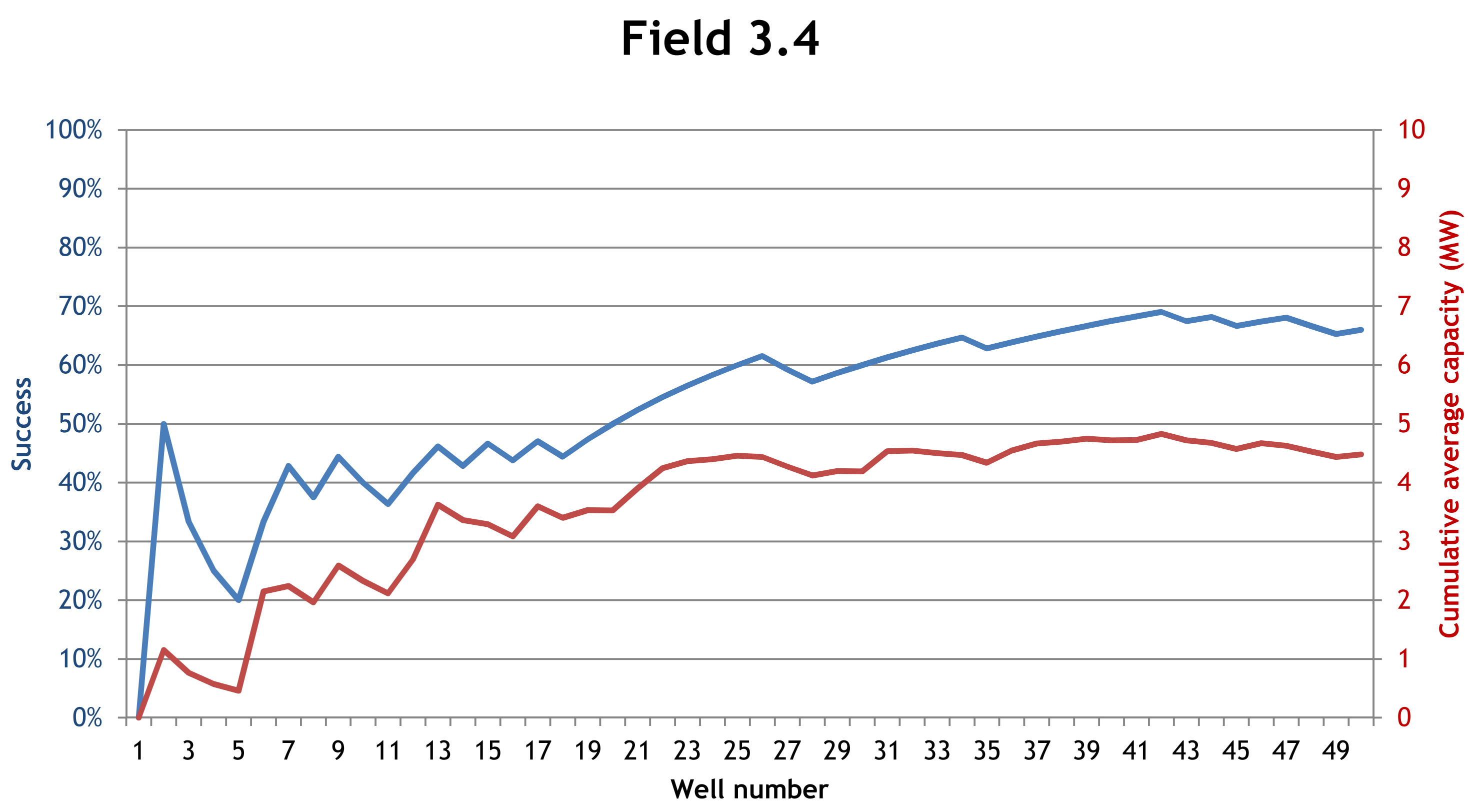
Improvements in success and capacity



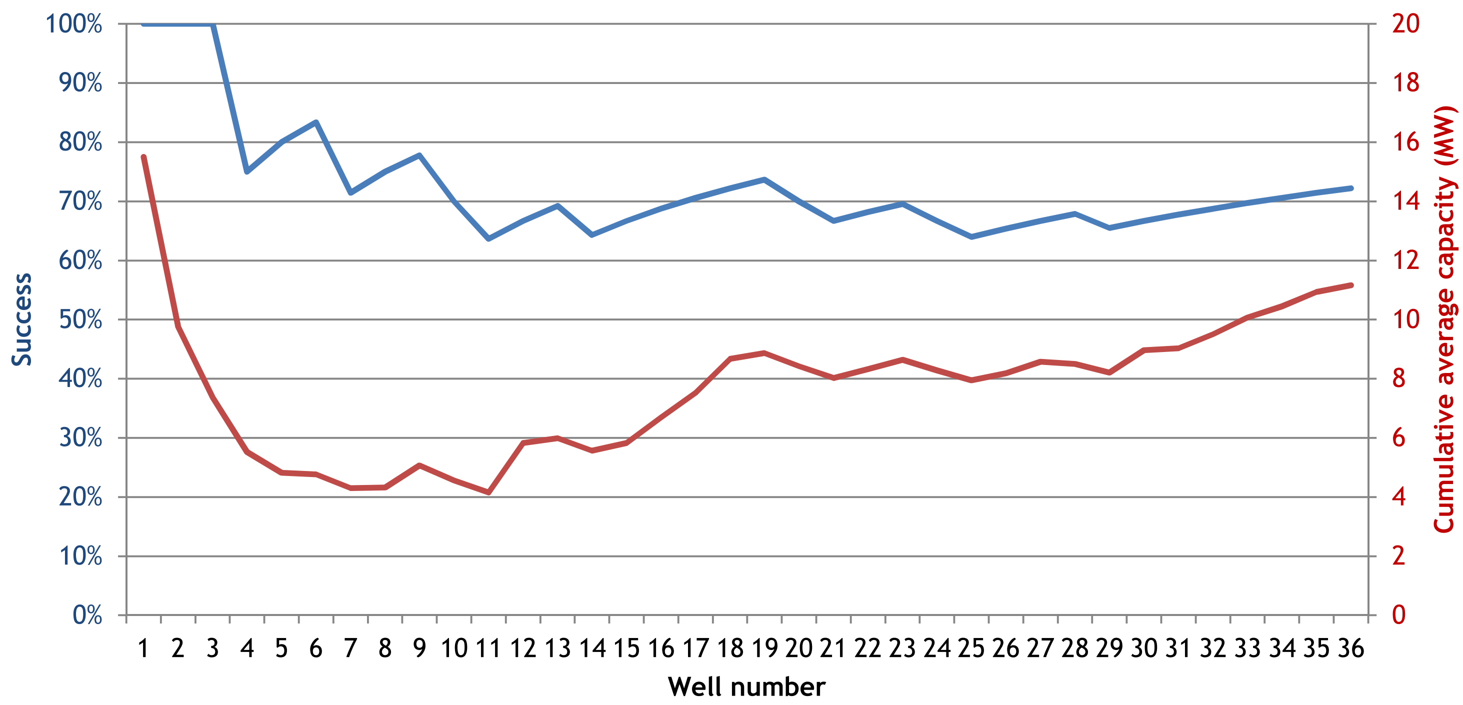
Improvements in success and capacity



Improvements in success and capacity



Field 3.8



100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
Success
20
18
16
14
12
10
8
6
4
2
0
Cumulative average capacity (MW)
1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36
Well number