



Well completion report for wells B-1 & B-2 Karkar, Armenia

03.04.2017

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Executive summary

The Armenian Renewable Resources and Energy Efficiency Fund (R2E2) is exploring the Karkar Geothermal Field to assess the geothermal energy potential of the site. G&M Engineering & Qarazart LLC served as the Technical Supervision and Support Consultant (TSSC) for Phase I of the project, drilling of two slim-hole wells. The role of TSSC includes providing technical supervision of the drilling operation; review of the results and findings of well logging, mud logging, flow testing, and chemical analyses of cuttings, onsite geology; as well as provision of other technical advice and support related to the assignment.

This report summarizes the activities during drilling operation and analyses the resource data collected from wells B-1 and B-2. Furthermore, it integrates the newly acquired results into the previous conceptual model for the Karkar Geothermal Field as a whole. Additional conclusions and recommendations are offered for future consideration.

The Phase I of the project completed with the drilling of two exploratory wells. The first exploration well, B-1, was completed at 1500 m and tested in September 2016. The second well, B-2, was completed at 1684 and tested in November 2016.

During the drilling process continuous tests and mud logging performed, which recorded the drilling parameters as well as the lithological data. Pressure and temperature data recorded for both of the wells.

After the completion of two slim exploratory wells, B-1 and B-2, the data gathered supported the high temperature gradients and elevated temperatures of the Karkar Geothermal Field first discovered in well B-4. Wells B-1 and B-2, with no additional drilling or alterations, will produce low enthalpy geothermal fluid, around 75°C. The elevated conductive gradient at the bottom of B-1 and B-2 has proven temperatures >110°C at less than 1500 m, and projected temperatures as high as 160°C at depths of 2000 m, or >200°C at 3000 m. At these depths similar temperatures and permeability are encountered in similar basement rocks underlying commercially successful geothermal energy developments in western Anatolia and in the Basin and Range Province of the western United States.

Recommendations for next steps includes the drilling of new wells to at least 2000 m at Karkar in order to prove higher temperatures and permeability associated with a possible up flow at the intersection of the dominant fault trends. Temperatures in B-1 and B-2 should be re-surveyed at a later date to evaluate the stabilized temperature and confirm temperature gradients. The cuttings accumulated at the bottom of well B-2 could be cleaned with a rig or coiled tubing unit and the total loss zone at ~1660 m could be tested. Also wells B-1 and B-2 could be deepened. Alternatively a new well could be drilled to the depths of 2500 m or 3000 m to search for a deeper and higher temperature reservoir as in the cases of Western Anatolia (*Exploration and Discovery of the Gümüşköy Geothermal Reservoir in Aydın, Turkey*) and Western United States (*Reservoir Testing and Modeling of the Patua Geothermal Field, Nevada, USA*).

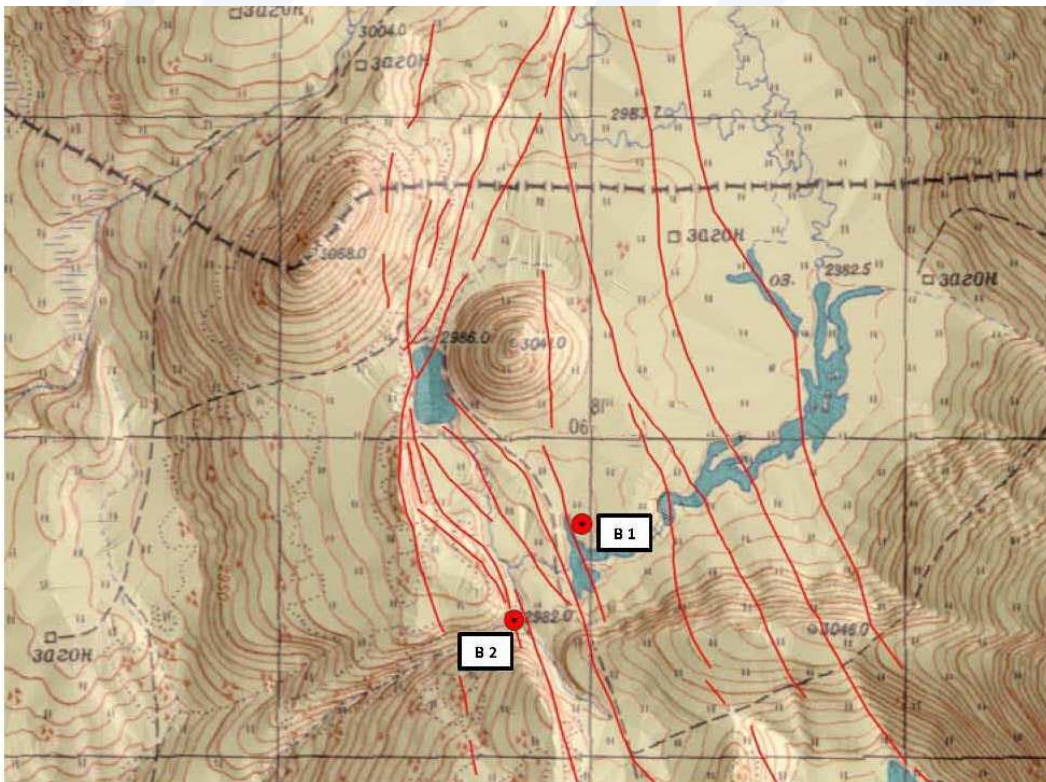
Introduction

Armenia is located in a zone of high tectonic activity and recent volcanism, which is frequently the source of geothermal energy resources. Several preliminary assessments carried out in the 1990s and 2000s which confirmed the existence of geothermal resources in various parts of the country and identified potential areas where resources could be suitable for power generation.

The Global Environmental Facility financed Geofund 2: Armenia Geothermal Project provided financing to carry out comprehensive field investigation studies of the most promising geothermal sites, Gridzor and Karkar, in order to assess the feasibility of exploratory drilling at the site with the highest potential. Studies included geological field scouting, magneto-telluric sounding surveys for both sites and interpretation of their results, and a 3D MT survey and interpretation of its results for the Karkar site, which was deemed to have the highest geothermal potential. This Karkar site has been selected for exploratory geothermal resource test drilling to confirm the quality and quantity of the local resource.

The comprehensive surface exploration work carried out at Karkar before the drilling of exploratory wells did not provide conclusive evidence on the type of geothermal resource and its potential for power generation. Although the results seemed to be indicating the geothermal system is more likely to hold medium or low temperature resources rather than high temperature ones, there were low resistivity readings which possibly indicated the regions with higher temperatures.

In these circumstances, the only way to confirm the nature of the resource and assess its commercial potential for power generation was to drill in order to enter the faults at depth (1,500- 1,800 m) and increase the chances of reaching into the main up-flow zone, where it would be most representative of the resource.



Geological map of Karkar Field (Procurement documents of Drilling of two slim wells. Nov. 30 . 2015)

Drilling Progress

Both of the exploratory wells in Karkar region, B-1 and B-2, drilled by the contractor Sisian Fpat under the supervision of TSSC Team, G&M Engineering & Qarazart LLC, serving the operator R2E2 Fund. The drilling rig was Gefco 185K. Well testing company JRG and mud logging company Geolog collected the data to help the drilling process and to increase the knowledge about the Karkar region in general. Collected data and graphs generated from them could be found on related sections of this report.

The coordinates of the well B-1 was 39.781N, 45.944E and located at an elevation of 3000m. Drilling operations started at B-1 on 7/15/2016 and the well was completed on 9/29/2016. B-1 drilled to the depth of 1500m in 70 days including 9 days spent on rig repairs and 11 days on stuck pipe problems.

The coordinates of the second exploratory well B-2, was N 39° 46.678', E 045° 56.486' and located at an elevation 2989 m. Drilling operations started on 10/8/2016 and the well was completed on 12/1/2016. B-2 drilled to the depth of 1684 m in 52 days including 10 days spent on waiting for weather and de-freezing of the lines.

Stuck pipe problems on B-1 occurred during tripping out of the hole to change the drill bit. At 805 m string got over pulled and stuck completely at 772 m, no rotation, up or down movement, full circulation and shakers were clean of cuttings. Since the circulation was still free to flow, main suspect was differential sticking.

The main reason of the problem was the expanding and sloughing of the reactive tuff formation encompassing 682 to 825 m. Usage of water instead of low fluid loss drilling mud might have worsen the swelling. Also the predetermined bit by contract was designed to cut harder formations and was not optimum to drill the tuffs. After using several methods, including heavy circulation, over pulling, back reaming and changing the additives in drilling mud, the team successfully retrieved the drill string.

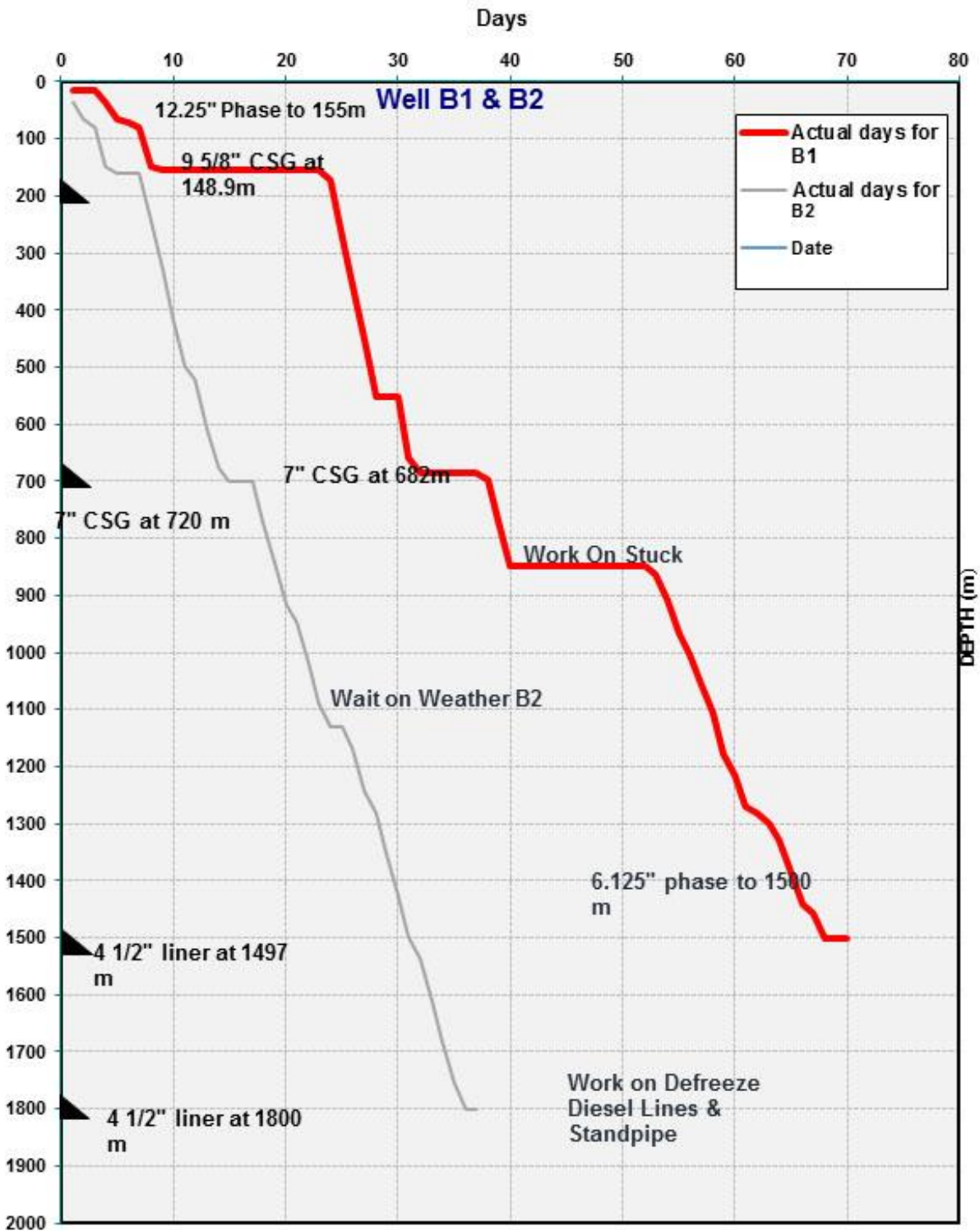
In order to prevent similar problems occurring in future one must take into account the nature of the tuff formation being drilled. Especially around reactive tuff sections it is better to use polymer muds with better fluid loss control instead of lignosulphonate mud. If polymer must be limited then the lignosulphonate mud must be kept in low fluid loss levels with additives. This would also keep the damage to the reservoir at minimum. Since the pipe sticking was due to the differential sticking around reactive tuffs, it is imperative to keep the drill string in motion as much as possible. Increasing the frequency of the short trips, in every 100m drilled or 24hr drilling time, would help mitigating the problem. Also to keep the rate of penetration higher and reduce the tripping times, using better suited bits is important. On these zones 4-1-7 or 4-3-7 IADC code bits performed better with less bit balling problems.

During the production and pressure, temperature testing of the well B-2, it is found out that the debris filled the bottom section of the well. The reason of the filling is the reactive tuffs expanding, sloughing and eventually collapsing into the well. 4 ½" perforated (2,35mm slits) liner section encompasses 688m to 1682m of well B-2. To prevent similar debris filling satiations on other wells

the 7" production casings should be set on deeper sections to keep the reactive tuff behind the casing and isolate production zones as much as possible.



Well B-1 & B-2 Time - Depth Curve



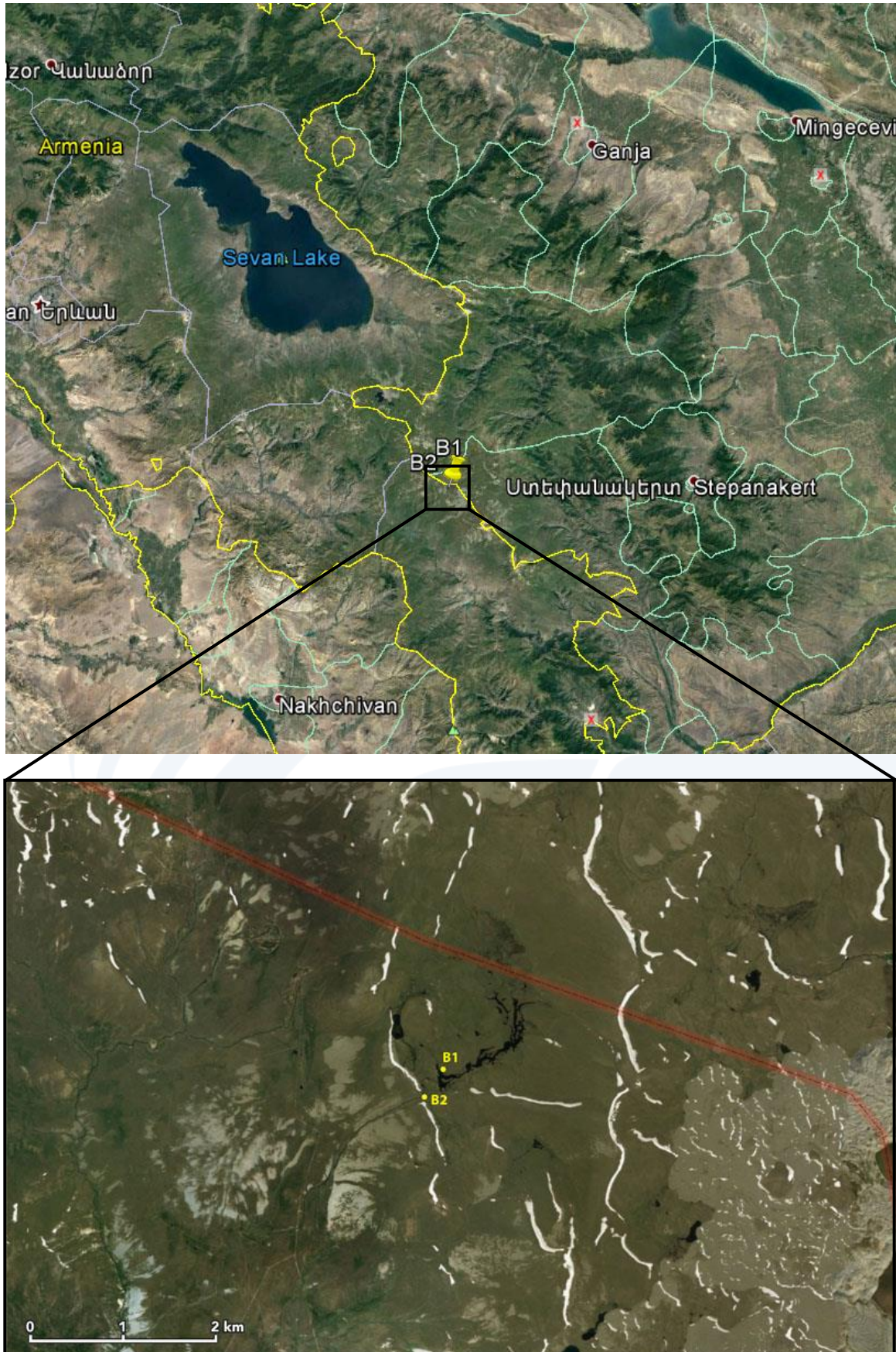


Figure 1 Location Map of Karkar Geothermal Field - Google Earth & Apple Maps

Description of the wells as-built

At the start of the project some changes had to be made in the well planning. The reasons for the revision were mainly giving better opportunities to the well test team to perform the tests. First of all the well test engineers recommended bigger production hole to limit the pressure loss and give better production capacity estimation. Secondly the original logging program was very complicated and in order to achieve the goals of the program larger diameter logging tools must be used to protect the probes from high temperatures. Because of increase in dimensions of the tools, losing the tools in hole due to sticking becomes a real risk. It is also know that reputable logging companies prefer and recommend bigger hole dimensions to be on the safe side. Lastly, due to the dense massive volcanic nature of the formation one would need 7000 lb.ft torsional torque to drill below production zones. In order to drill 4 ¼" hole the team needed 2 3/8" drill pipes which would not have the required torsional yield and drill string failures might have occurred or the drilling would not be continued.

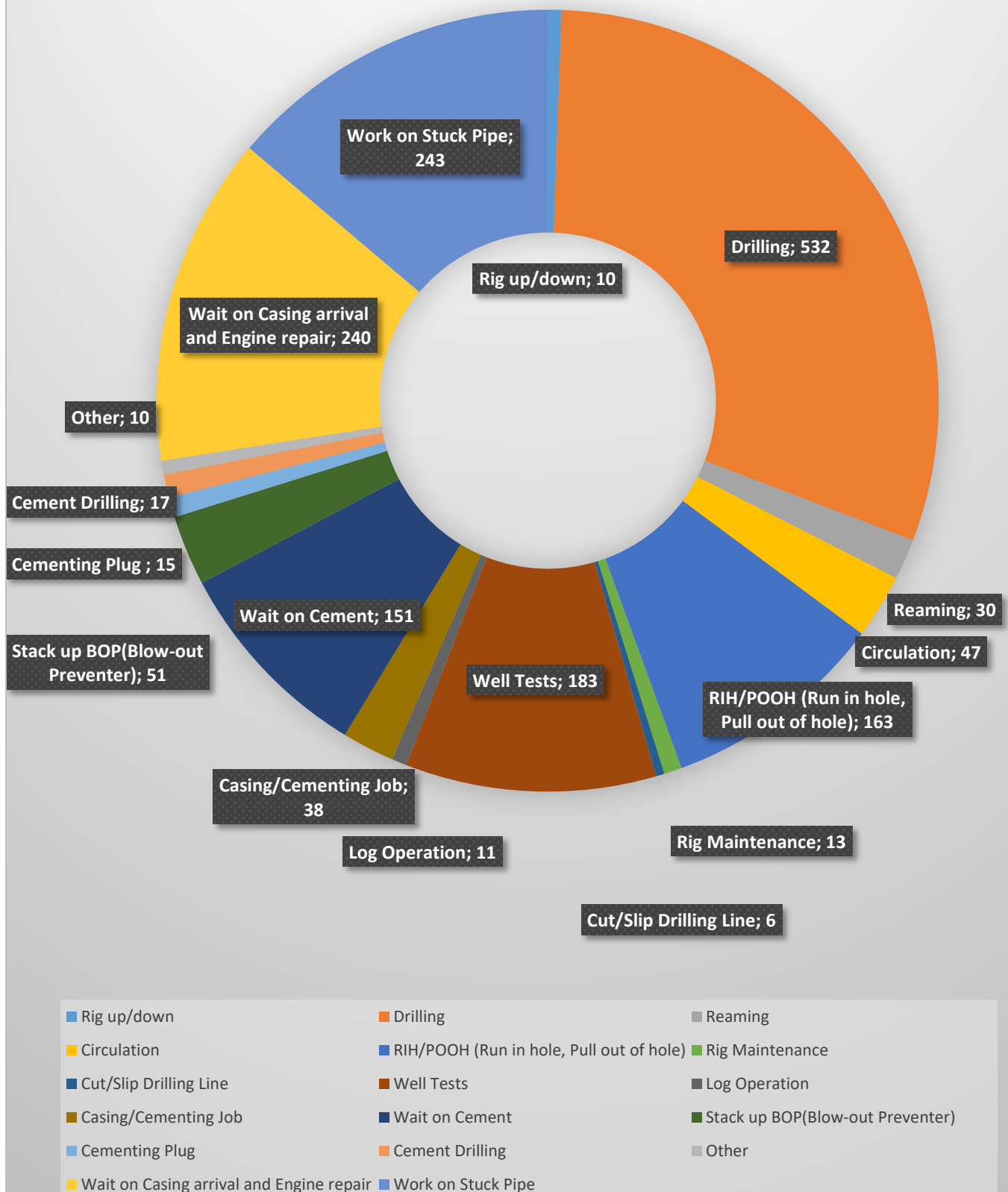
Because of the reasons explained, the new plan was built upon four sections instead of five. By removing the 4 ¼" section the distance distributed to other three sections. 12 ¼" sections extended from 75 m to 155m, 8 ½" section extended from 255m to 687m on B-1 and 725m on B-2, finally 6 1/8" section extended from 655m to 1500 on B-1 and 1684m on B-2. The 4 ½" perforated liner with 2,35mm is used in both wells.

Well Casing & Hole Section Depths of Wells B-1 and B-2

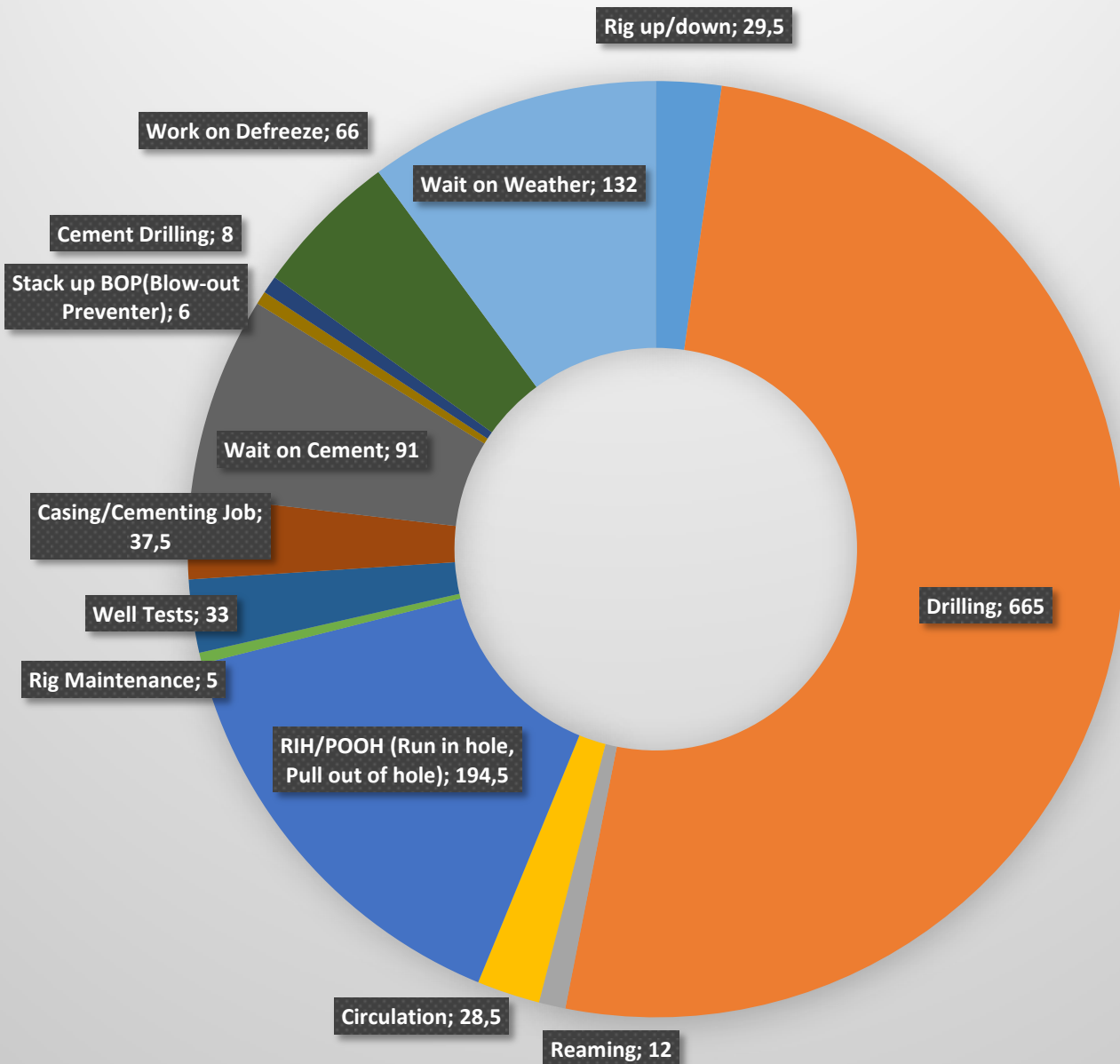
	13 3/8" Casing		9 5/8" Casing		7" Casing		4 1/2" Perforated Liner (2,35mm slits)	
	from (m)	to (m)	from (m)	to (m)	from (m)	to (m)	from (m)	to (m)
Well B1	0	12	0	149	0	682	649	1497
Well B2	0	12	0	149	0	721	688	1682

	17 1/2" Hole		12 1/4" Hole		8 1/2" Hole		6 1/8" Hole	
	from (m)	to (m)	from (m)	to (m)	from (m)	to (m)	from (m)	to (m)
Well B1	0	12	12	154	154	687	687	1500
Well B2	0	16	16	155	155	725	725	1684

Well B1 Time Breakdown



Well B2 Time Breakdown



- Rig up/down
- Drilling
- Reaming
- Circulation
- RIH/POOH (Run in hole, Pull out of hole)
- Rig Maintenance
- Well Tests
- Casing/Cementing Job
- Wait on Cement
- Stack up BOP(Blow-out Preventer)
- Cement Drilling
- Work on Defreeze
- Wait on Weather

Daily Drilling summary of Well B-1

Date	Actual days for B1	M N depth(m)	Progress (m)	Operation
15.07.2016	1	15	15	Drilling 17 1/2"
16.07.2016	2	15	0	Run 13 3/8" Casing
17.07.2016	3	15	0	Cement & WOC
18.07.2016	4	35	20	Drilling 12 1/4"
19.07.2016	5	65	30	Drilling & Pump LCM Pill
20.07.2016	6	72	7	Drilling & Cement Plug
21.07.2016	7	80	8	Drilling & Cement Plug
22.07.2016	8	150	70	Drilling
23.07.2016	9	155	5	Drilling & Total Loss & Pump Cement
24.07.2016	10	155	0	WOC
25.07.2016	11	155	0	WOC
26.07.2016	12	155	0	Wait on Extra 9 5/8" Casing & Engine Problem
27.07.2016	13	155	0	Wait on Extra 9 5/8" Casing & Engine Problem
28.07.2016	14	155	0	Wait on Extra 9 5/8" Casing & Engine Problem
29.07.2016	15	155	0	Wait on Extra 9 5/8" Casing & Engine Problem
30.07.2016	16	155	0	Wait on Extra 9 5/8" Casing & Engine Problem
31.07.2016	17	155	0	Wait on Extra 9 5/8" Casing & Engine Problem
1.08.2016	18	155	0	Wait on Extra 9 5/8" Casing & Engine Problem
2.08.2016	19	155	0	Wait on Extra 9 5/8" Casing & Engine Problem
3.08.2016	20	155	0	Engine Problem
4.08.2016	21	155	0	RIH 9 5/8" Casing
5.08.2016	22	155	0	Cementing & WOC & Nipple Up BOP
6.08.2016	23	155	0	Nipple up BOP
7.08.2016	24	172	17	Drilling
8.08.2016	25	273	101	Drilling
9.08.2016	26	356	83	Drilling
10.08.2016	27	450	94	Drilling
11.08.2016	28	553	103	Drilling
12.08.2016	29	553	0	Cement Plug & WOC
13.08.2016	30	553	0	WOC
14.08.2016	31	660	107	Drilling
15.08.2016	32	687	27	Drilling & Wiper Trip
16.08.2016	33	687	0	Temperature Log & Wiper Trip
17.08.2016	34	687	0	RIH Casing
18.08.2016	35	687	0	Cementing & WOC
19.08.2016	36	687	0	WOC & Nipple Up BOP
20.08.2016	37	687	0	Nipple Up BOP
21.08.2016	38	697	10	Drilling
22.08.2016	39	779	82	Drilling
23.08.2016	40	850	71	Drilling
24.08.2016	41	850	0	Work on stuck
25.08.2016	42	850	0	Work on stuck
26.08.2016	43	850	0	Work on stuck
27.08.2016	44	850	0	Work on stuck
28.08.2016	45	850	0	Work on stuck
29.08.2016	46	850	0	Work on stuck

30.08.2016	47	850	0	Work on stuck
31.08.2016	48	850	0	Work on stuck
1.09.2016	49	850	0	Work on stuck
2.09.2016	50	850	0	Work on stuck
3.09.2016	51	850	0	Work on stuck
4.09.2016	52	850	0	Work on stuck & Round Trip
5.09.2016	53	863	13	Drilling
6.09.2016	54	908	45	Drilling
7.09.2016	55	967	59	Drilling
8.09.2016	56	1003	36	Drilling & Trip
9.09.2016	57	1057	54	Drilling
10.09.2016	58	1106	49	Drilling Total Loss Trip
11.09.2016	59	1178	72	Drilling
12.09.2016	60	1218	40	Drilling
13.09.2016	61	1271	53	Drilling
14.09.2016	62	1281	10	Drilling & Trip
15.09.2016	63	1299	18	Drilling & Trip
16.09.2016	64	1330	31	Drilling
17.09.2016	65	1387	57	Drilling
18.09.2016	66	1443	56	Drilling
19.09.2016	67	1458	15	Drilling & Trip
20.09.2016	68	1500	42	Drilling
21.09.2016	69	1500	0	Trip
22.09.2016	70	1500	0	RIH 4 1/2" Casing

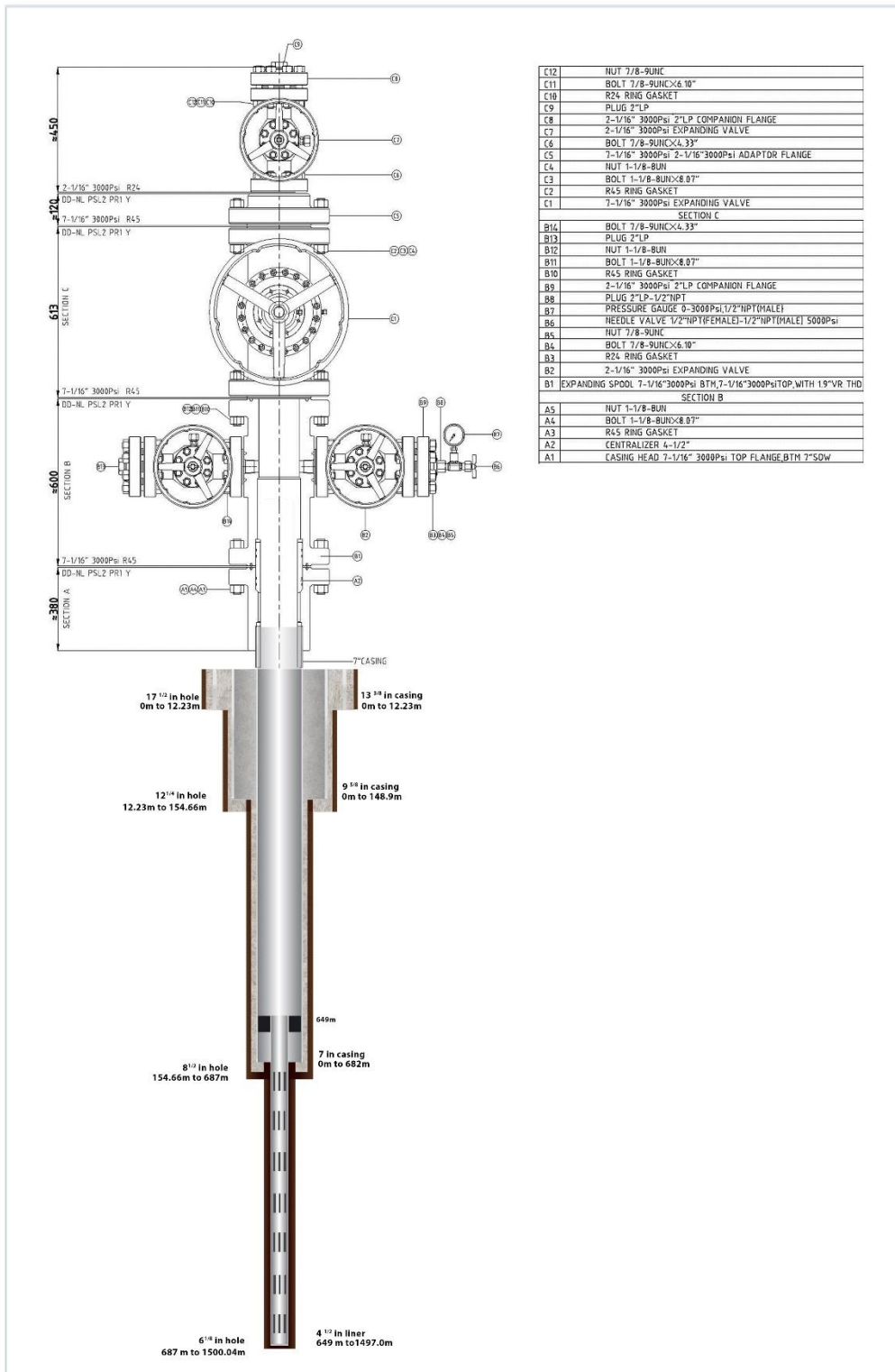
Daily Drilling summary of Well B-2

Date	Depth (m)	Progress (m)	Operation
8.10.2016	17	17	Drilling 12 1/4" & Cement Plug
9.10.2016	66	49	Drilling 12 1/4"
10.10.2016	74	8	Drilling 12 1/4" & Cement Plug
11.10.2016	140	66	Drilling 12 1/4"
12.10.2016	155	15	Drilling 12 1/4" & Wiper Trip & RIH Casing
13.10.2016	155	0	WOC & N/U Conductor
14.10.2016	242	87	Drilling 8 1/2" Section
15.10.2016	352	110	Drilling 8 1/2" Section
16.10.2016	534	182	Drilling 8 1/2" Section
17.10.2016	609	75	Drilling 8 1/2" & Change Bit POOH
18.10.2016	715	106	Drilling 8 1/2"
19.10.2016	725	10	Drilling 8 1/2" & Wiper Trip & RIH Casing
20.10.2016	725	0	Cementing & WOC
21.10.2016	725	0	WOC
22.10.2016	738	13	Top Job Nipple up BOP & Drilling
23.10.2016	822	84	Drilling 6 1/8" Section
24.10.2016	898	76	Drilling 6 1/8" Section
25.10.2016	938	40	Drilling 6 1/8" Section & Trip for Bit
26.10.2016	983	45	Drilling 6 1/8" Section

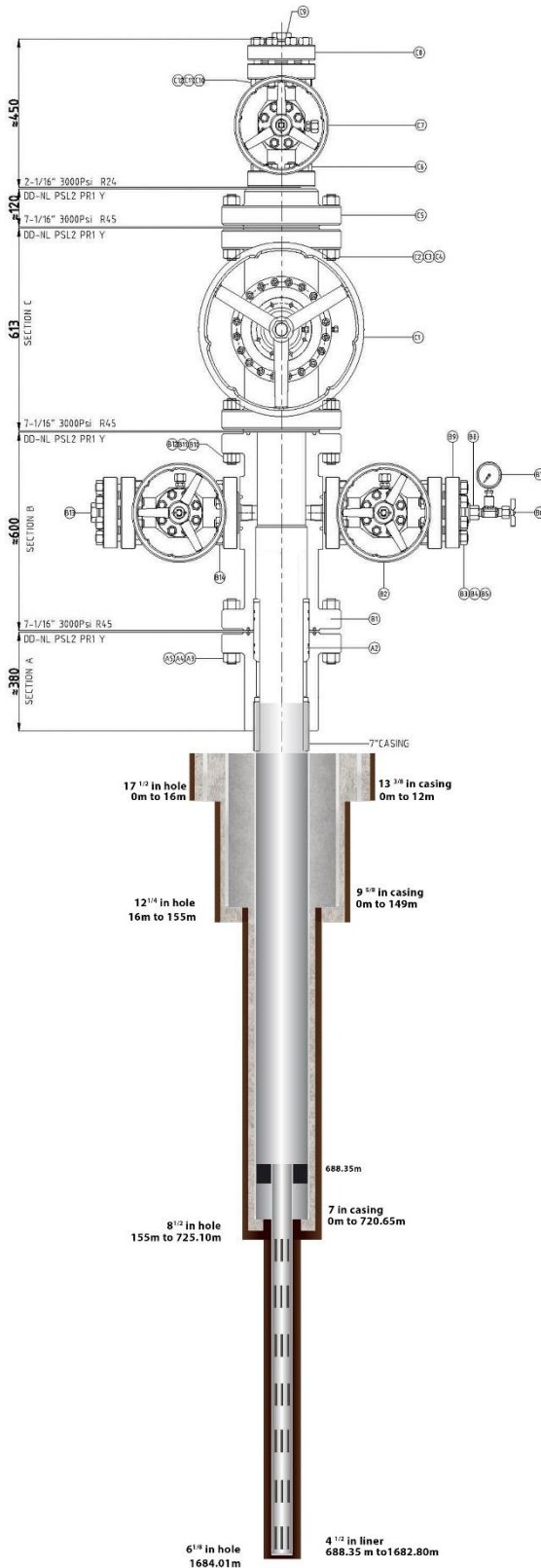
27.10.2016	1031	48	Drilling 6 1/8" Section
28.10.2016	1040	9	Drilling 6 1/8" Section & Trip for Bit
29.10.2016	1086	46	Drilling 6 1/8" Section
30.10.2016	1102	16	Drilling & Wait on Weather
31.10.2016	1102	0	Wait on Weather
1.11.2016	1102	0	Wait on Weather
2.11.2016	1102	0	Wait on Weather
3.11.2016	1102	0	Wait on Weather
4.11.2016	1102	0	Wait on Weather
5.11.2016	1124	22	Wait on Weather & Drilling
6.11.2016	1179	55	Drilling 6 1/8" Section
7.11.2016	1220	41	Drilling 6 1/8" Section
8.11.2016	1253	33	Drilling 6 1/8" Section
9.11.2016	1272	19	Drilling 6 1/8" Section & Trip for Bit
10.11.2016	1307	35	Drilling 6 1/8" Section
11.11.2016	1336	29	Drilling 6 1/8" Section
12.11.2016	1373	37	Drilling 6 1/8" Section
13.11.2016	1389	16	Drilling 6 1/8" Section & Trip for Bit
14.11.2016	1416	27	Drilling 6 1/8" Section
15.11.2016	1464	48	Drilling 6 1/8" Section
16.11.2016	1492	28	Drilling 6 1/8" Section & Trip for Bit
17.11.2016	1531	39	Drilling 6 1/8" Section
18.11.2016	1558	27	Drilling 6 1/8" Section & Trip for Bit
19.11.2016	1590	32	Drilling 6 1/8" Section
20.11.2016	1655	65	Drilling 6 1/8" Section
21.11.2016	1674	19	Work on Defreeze Diesel Lines
22.11.2016	1674	0	Work on Defreeze Diesel Lines
23.11.2016	1674	0	Work on Defreeze Stand pipe
24.11.2016	1674	0	Work on Defreeze Stand pipe
25.11.2016	1674	0	Trip & Plug Nozzle
26.11.2016	1674	0	Trip & Reaming
27.11.2016	1684	10	Drilling 6 1/8" Section
28.11.2016	1684	0	RIH 4 1/2" Casing

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As-Built Schema of well B1



As-Built Schema of well B2



C12	NUT 7/8-9UNC
C11	BOLT 7/8-9UNCx6.10"
C10	R24 RING GASKET
C9	PLUG 2"LP
C8	2-1/16" 3000Psi 2"LP COMPANION FLANGE
C7	2-1/16" 3000Psi EXPANDING VALVE
C6	BOLT 7/8-9UNCx4.33"
C5	7-1/16" 3000Psi 2-1/16"3000Psi ADAPTOR FLANGE
C4	NUT 1-1/8-BUN
C3	BOLT 1-1/8-BUNx8.07"
C2	R45 RING GASKET
C1	7-1/16" 3000Psi EXPANDING VALVE
SECTION C	
B14	BOLT 7/8-9UNCx4.33"
B13	PLUG 2"LP
B12	NUT 1-1/8-BUN
B11	BOLT 1-1/8-BUNx8.07"
B10	R45 RING GASKET
B9	2-1/16" 3000Psi 2"LP COMPANION FLANGE
B8	PLUG 2"LP-1/2"NPT
B7	PRESSURE GAUGE 0-3000Psi,1/2"NPT(MALE)
B6	NEEDLE VALVE 1/2"NPT(FEMALE)-1/2"NPT(MALE) 5000Psi
B5	NUT 7/8-9UNC
B4	BOLT 7/8-9UNCx6.10"
B3	R24 RING GASKET
B2	2-1/16" 3000Psi EXPANDING VALVE
B1	EXPANDING SPOOL 7-1/16"3000Psi BTM,7-1/16"3000PsiTOP,WITH 19"VR THD
SECTION B	
A5	NUT 1-1/8-BUN
A4	BOLT 1-1/8-BUNx8.07"
A3	R45 RING GASKET
A2	CENTRALIZER 4-1/2"
A1	CASING HEAD 7-1/16" 3000Psi TOP FLANGE,BTM 7"SDW

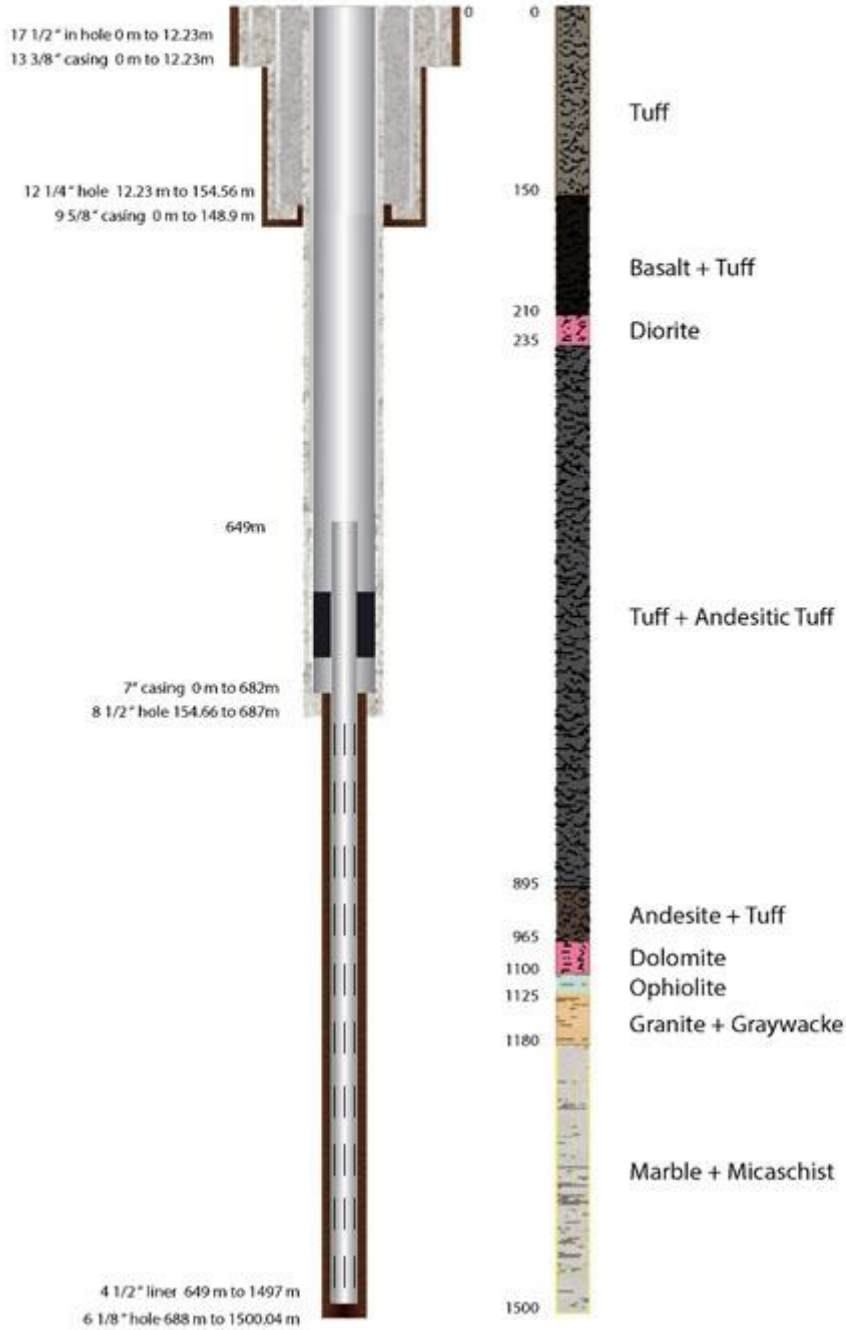
Drilling parameters collected during drilling

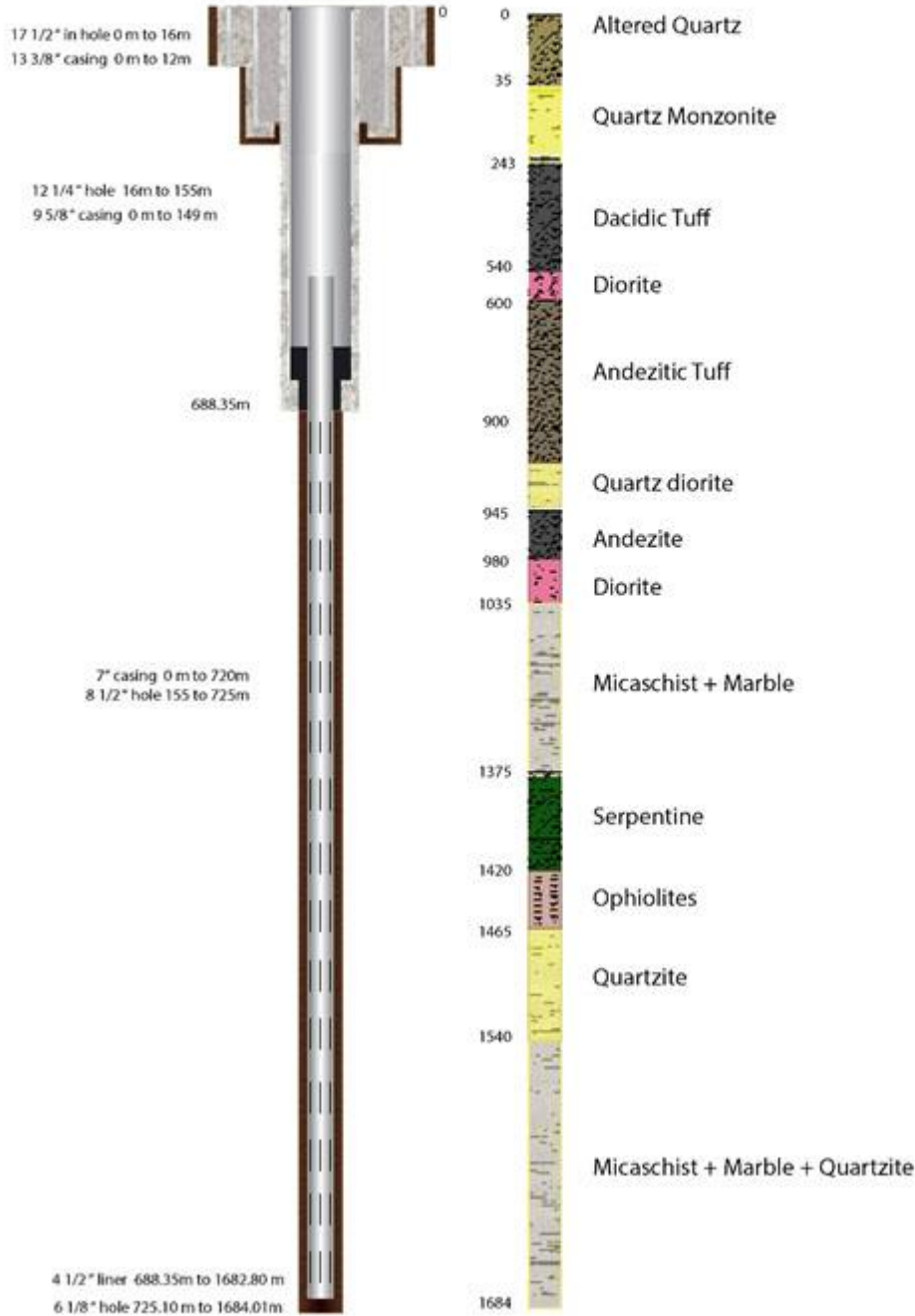
Weight on bit(WOB), rate of penetration(ROP), revolutions per minute(RPM), torque and drilling mud flow rate were the main parameters that has been kept during drilling. The combination of these parameters and the response of the formation being cut, are the main resources of information for the team. These parameters are generally dependent of each other. By increasing the WOB one might see better ROP, but also might face too much torque and the risk of damaging the drilling pipes. The flow rate of the mud effects not only the cleaning of the cuttings from the hole but also the impact of the hydraulic force applied on the formation is related to it. Fine tuning of the flow rate would ensure the highest amount of cleaning and maximum hydraulic force on the bit while keeping the total working pressure between safety limits.

Since these parameters have been closely watched and tuned according to the formation being drilled, they are the main sources of information about the well. The feed zones where the main flow generated usually happens in fractured formations. These formations might lead to the total or partial losses of mud flow. Another indication of the fracture is the sudden increase in ROP and decrease of WOB on the record sheets. This fractures might happen between the formation transition zones or naturally high porosity formations. On well B-2 total losses observed at 1660 meters. The loss of flow happened during transition from marble to quartzite. The sudden decrease of WOB and increase in ROP also indicate this as a feed zone. Partial losses between 1570 to 1590 meters also indicate a potential fracture and a feed zone. Same pattern also observed on B-1 around 1100 meters during transition zones.

The collection of said parameters depend on the logging team's vigilance. Geolog supplied the equipment and the manpower to collect the mud logging data. Most of the information during drilling provided by them and that information helped guiding the process. The condensed version of their mud logging efforts is included in this section. The more detailed mud logging data could be found on appendix.

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Summary of well testing results

Well test services provided by JRG. Even though the tests could not be completed on B-2 they increased our knowledge about the region and would be invaluable for the future steps. According to the report of JRG the well B-1 supports the high temperature gradients and elevated temperatures of the Karkar Geothermal Field first discovered in well B-4. While the precise location of B-4 is unconfirmed (to within several hundred meters), well B-1 extends the area of this heat anomaly at least ~1.5 km east from the reported location of B-4 into the pull-apart basin and well B-2 extends the area south into. The elevated conductive gradient at the bottom of B-1 has proven temperatures >110°C at less than 2000 m, and possibly as high as 160°C at depths of 2000 m, or >200°C at 3000 m.

Data from well B-2 supports the high temperature gradients and elevated temperatures of the Karkar Geothermal Field first discovered in well N-4. While the precise location of N-4 is unconfirmed (to within several hundred meters). The elevated conductive gradient at the bottom of B-2 has proven temperatures >120°C at less than 2000 m. By analogy to commercial geothermal fields in similar basement rocks in western Anatolia, temperature gradients could decrease near intermediate aquifers and then increase again with greater depth. Therefore deeper drilling could possibly encounter commercial permeability and temperatures at depths up to 3500 m.

The main feed zone of well B-1 has a temperature <100°C. Therefore, it is not the zone of interest for commercial geothermal energy production. However, it may be useful for a direct use/district heating project. While the bottom of well B-1 is >110°C, however there are no definitive feed zones at this temperature and therefore, cannot be utilized in B-1 production. If B-1 were deepened to 2000-3000 m, it may encounter permeable zones at higher temperature within the basement rocks. The basement contact of B-1 is permeable. But it contains a mixture of hot outflowing and cold down flowing waters. It is not the zone of interest for geothermal production but could be useful for injection or direct use.

The low-resistivity anomaly is possibly the product of previously higher temperatures within the basin but is not currently associated with in situ high-temperature fluid. However, it's geometry may still inform well targeting.

No significant feed zones were able to be tested in well B-2. A zone of total lost circulation was encountered at ~1660 m but was covered in sloughing cuttings before it could be tested. If this zone could be tested it may have a temperature >130°C.

Unlike well B-1, the basement contact in well B-2 is not permeable. As evidenced by the large difference in static water levels between wells B-1 and B-2, the two wells are not in good hydraulic communication. This may be due to B-2 crossing a hydrological barrier such as impermeable fault.

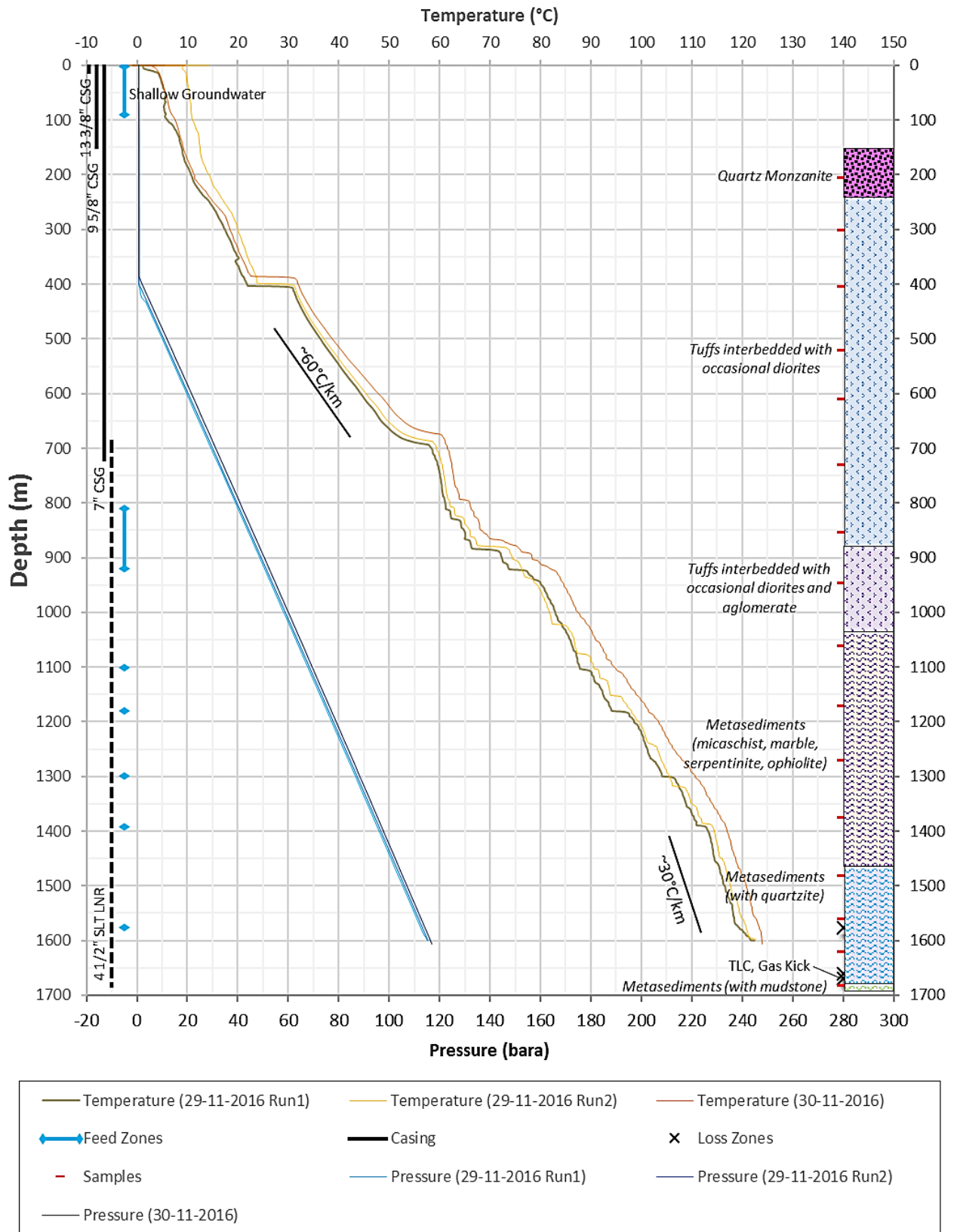
The lateral extent of the Karkar Geothermal Field is unbounded in all directions. Deep temperatures in the basement rocks may fall off rapidly to the east of well B-1. B-2 may be the hottest well in the field after it fully heats up, but the up flow may also be located elsewhere.

B-1 Well Summary Plot

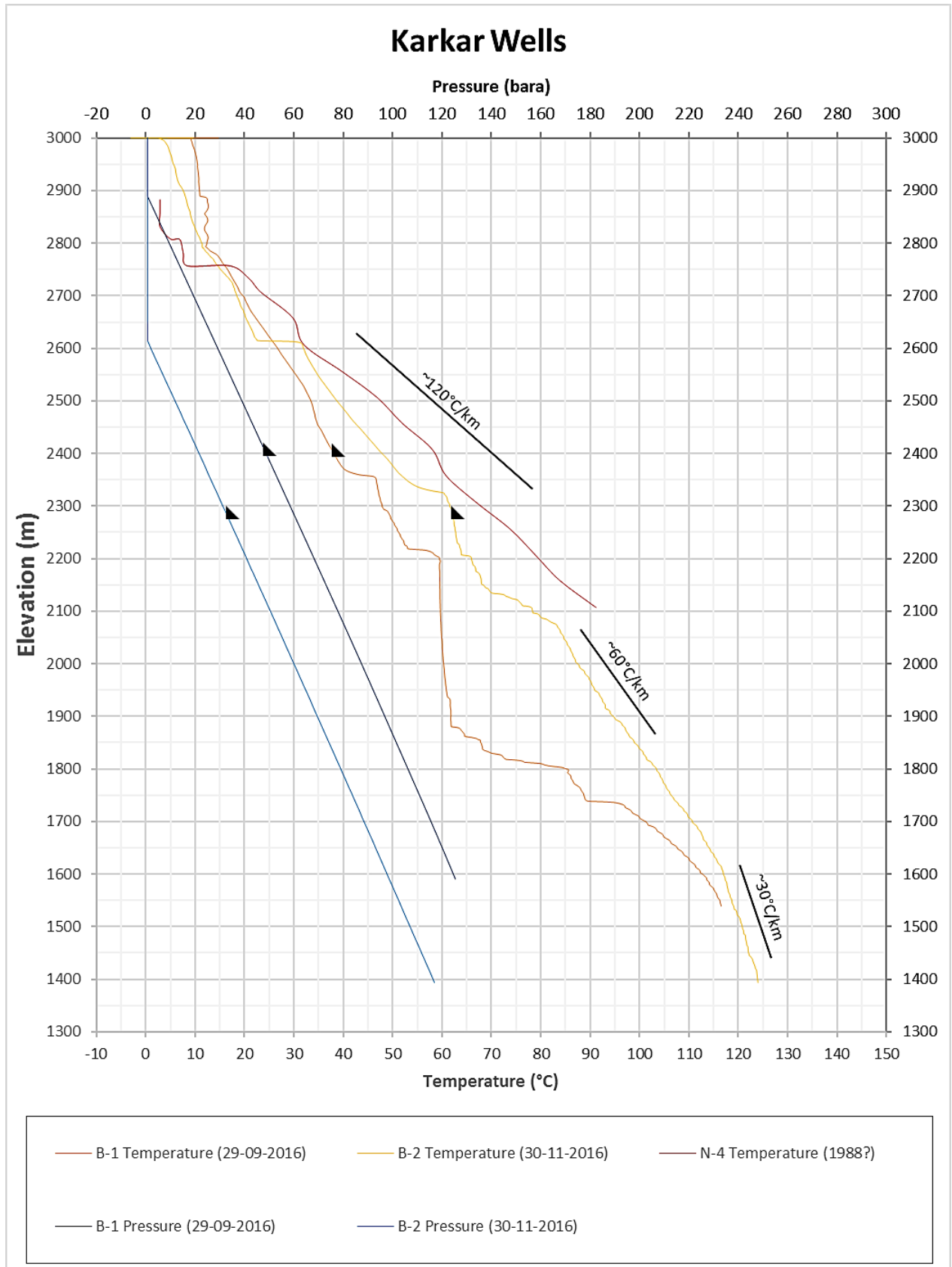
Temperature (°C), Cable Speed (cm/s)

-10 0 10 20 30 40 50 60 70 80 90 100 110 120 130 140 150

B-2 Well Summary Plot



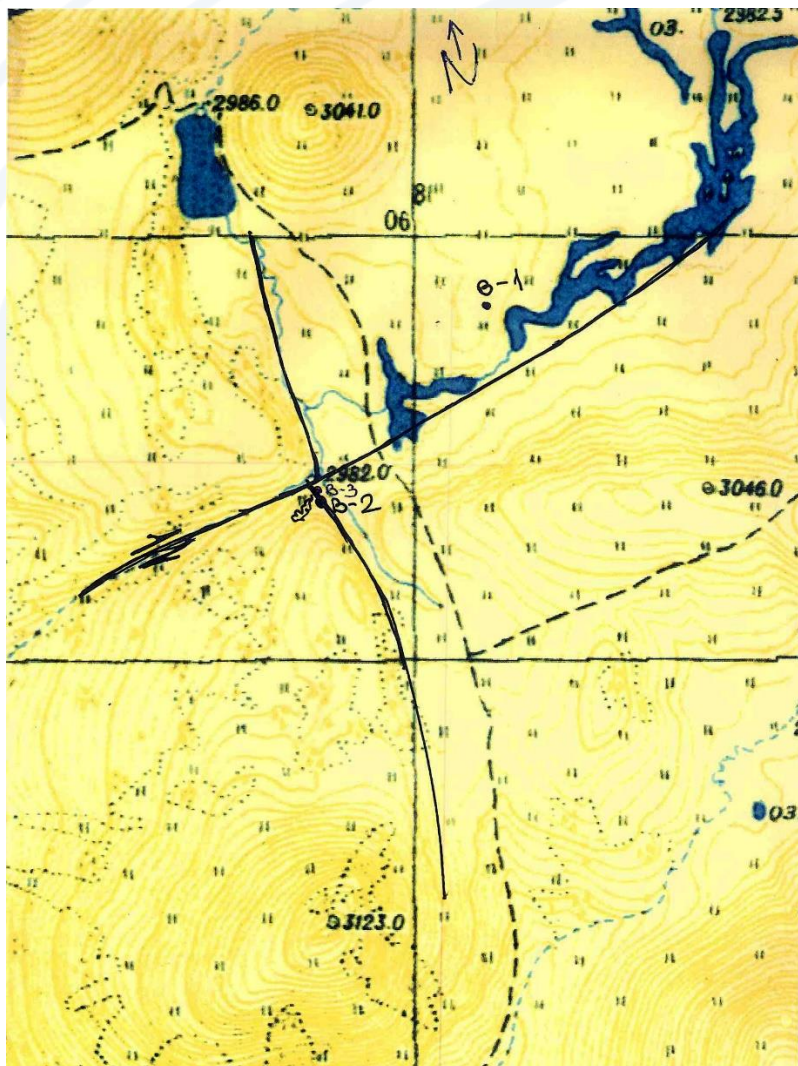
JRG Energy - Well Test Summary Plot B2



JRG Energy - Temperature and Pressure vs Elevation profiles of the three Karkar wells.

Integrated interpretation of the data collected through the drilling and testing of the wells

Karkar geothermal field is the top of 3300m, situated in Southern Armenia. Karkar, close to the border with Nagorno-Karabakh, in the SW of Armenia, in the Eastern Turkey-Iranian High Plateau and Caucasus is one of the best examples of an active continental collision zone in the world. It comprises one of the high plateaus of the Alpine-Himalaya mountain belt. A pull-apart zone and of Armenian high temperature geothermal area. A variety of extrusive, intrusive and metamorphic rocks are found on the surface of Armenian territory, ranging in a composition of tuffs. The range in composition of the rocks was produced by quartz monzonite, andesitic tuff, dacitic tuff, diorite. Many of the extrusive and intrusive rocks are fresh, and some of the quartz monzonites may be as young as a few hundred years old. The oldest possible age of the occurrence of the collision of area volcanic assemblage is defined by that of the collision crust of in Alp-Himalaya belt.



Tectonic model of Karkar Geothermal Field

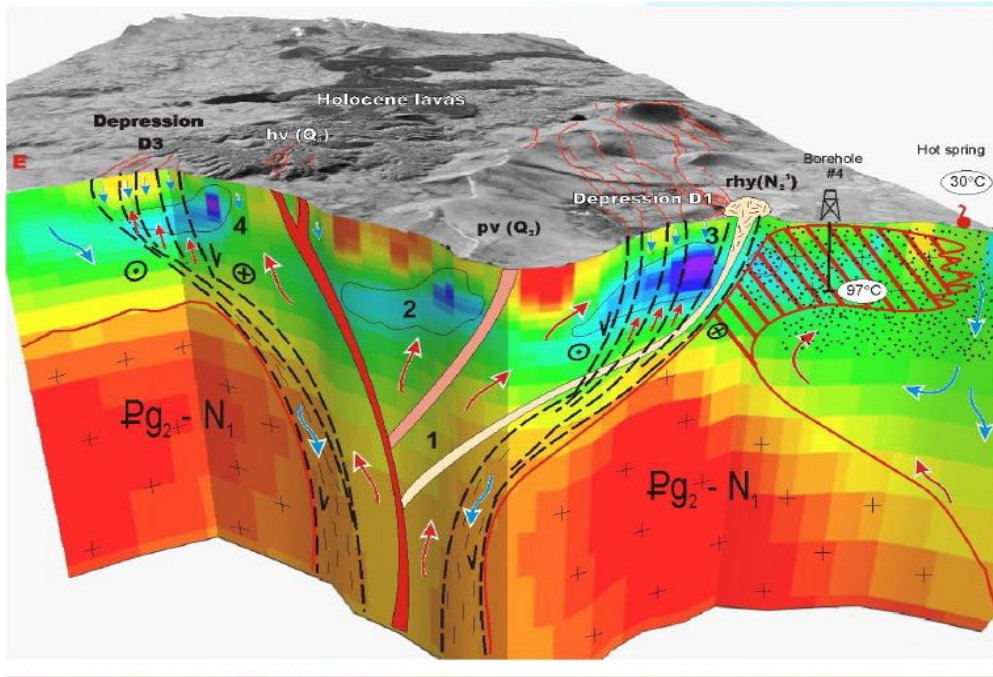
Quartz monzonite lavas are much more extensive at Karkar Mountain than other parts of Armenia, overlaid by marbles/ophiolites. Although N-S and E-W trending faults predominate in the Karkar Geothermal area, several NE/SW striking lineaments and SE/NW postulated faults also cut the geothermal area. The simplified geological section of the well shows the succession to be totally composed of pyroclastic rocks of two types of cover rocks and metamorphic basement rocks, are marble/mica schist and ophiolites (See Lithologies of B1 and B2).

All around Syunic area base metamorphic rocks represented by non-outcropped mica schists, marbles and ophiolites encountered at well B-1 between 1071-1500m. In geothermal area, surface volcanic rocks here are dominantly quartz monzonite, also quartz diorite, andesitic tuff, dacitic tuff and obsidian is encountered. The most dominant intrusive rock is quartz diorite, found between 545-570m, 630-660m, 900-965m, at the upper zones of wells. The basement/reservoir rocks are ophiolites.

The conceptual model of the Karkar Geothermal Field, originally presented in a resource assessment report by Georisk (2012) and revised by ISOR (2012), has been revised and updated based on review of the available resource reports, original re-interpretation of the data sets, and integration of data acquired from B-1 and B-2.

The previous conceptual model was based on the surveys, measurements and studies listed below;

1. Structural-geological and volcanological studies carried out jointly by GEORISK Scientific Research CJS and The South Florida University in 2009.
2. Geochemical investigations carried out by GEORISK Scientific Research CJS and the South Florida University in 2009.
3. 2D MT and TEM surveys carried out by GEORISK Scientific Research CJS and the South Florida University in 2009.
4. Interpretations of the 2D MT and TEM surveys of 2009 are conducted independently by the “Nord-West” Company (Russian Federation), and jointly by GEORISK CJS and the University of South Florida.
5. 3D MT and gravimetric surveys, as well as CO₂ gas surveys conducted by WesternGeco (Italy) in 2011.
6. Interpretations of the 3D MT and gravimetric surveys of 2011, realized independently by the Western Geco Company (Italy), and by GEORISK CJS in cooperation with the University of South Florida.



Conceptual Model Before B-1 & B-2

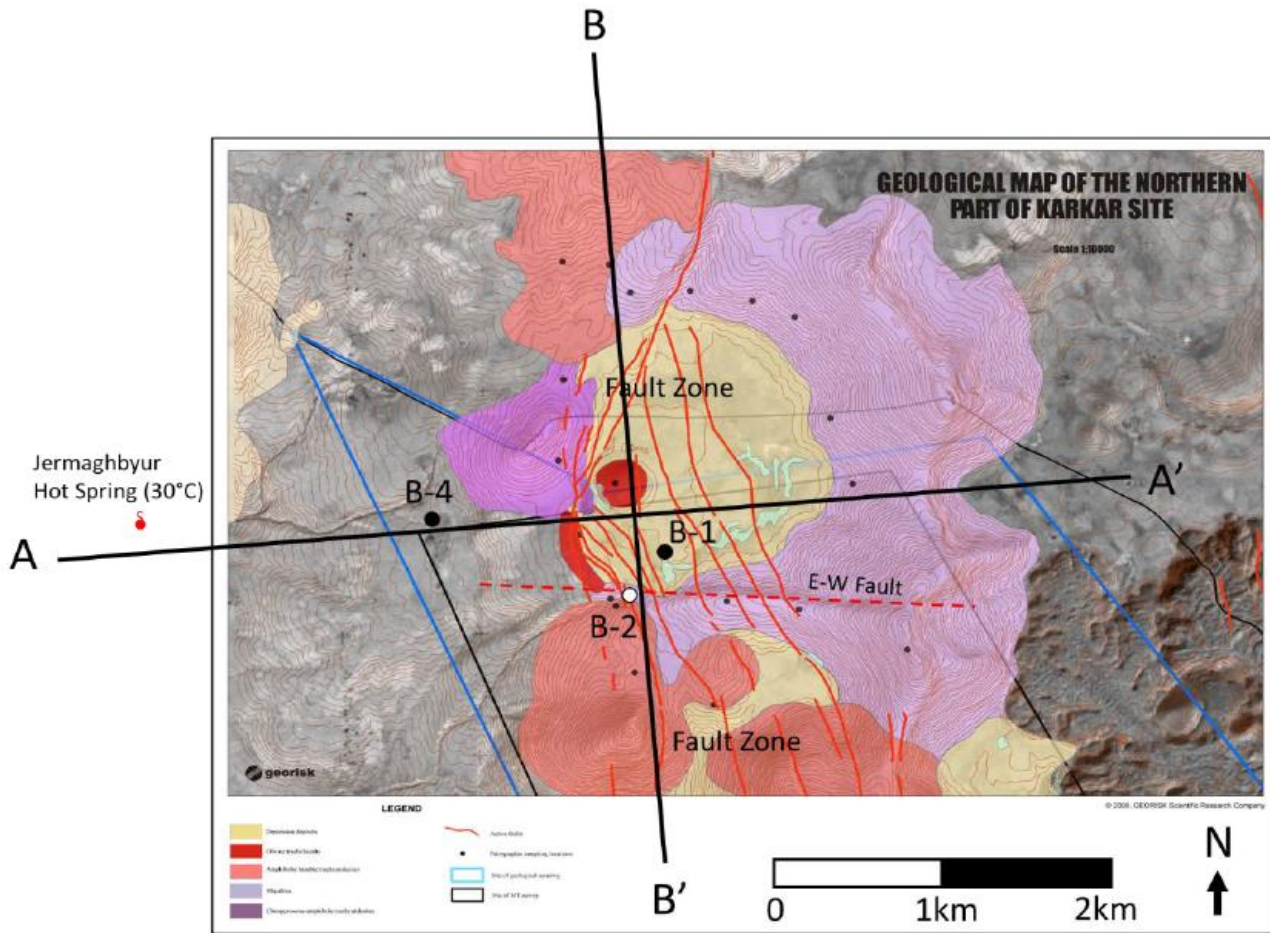
(Georisk/USF) The Geothermal Energy Project Armenia, 2014

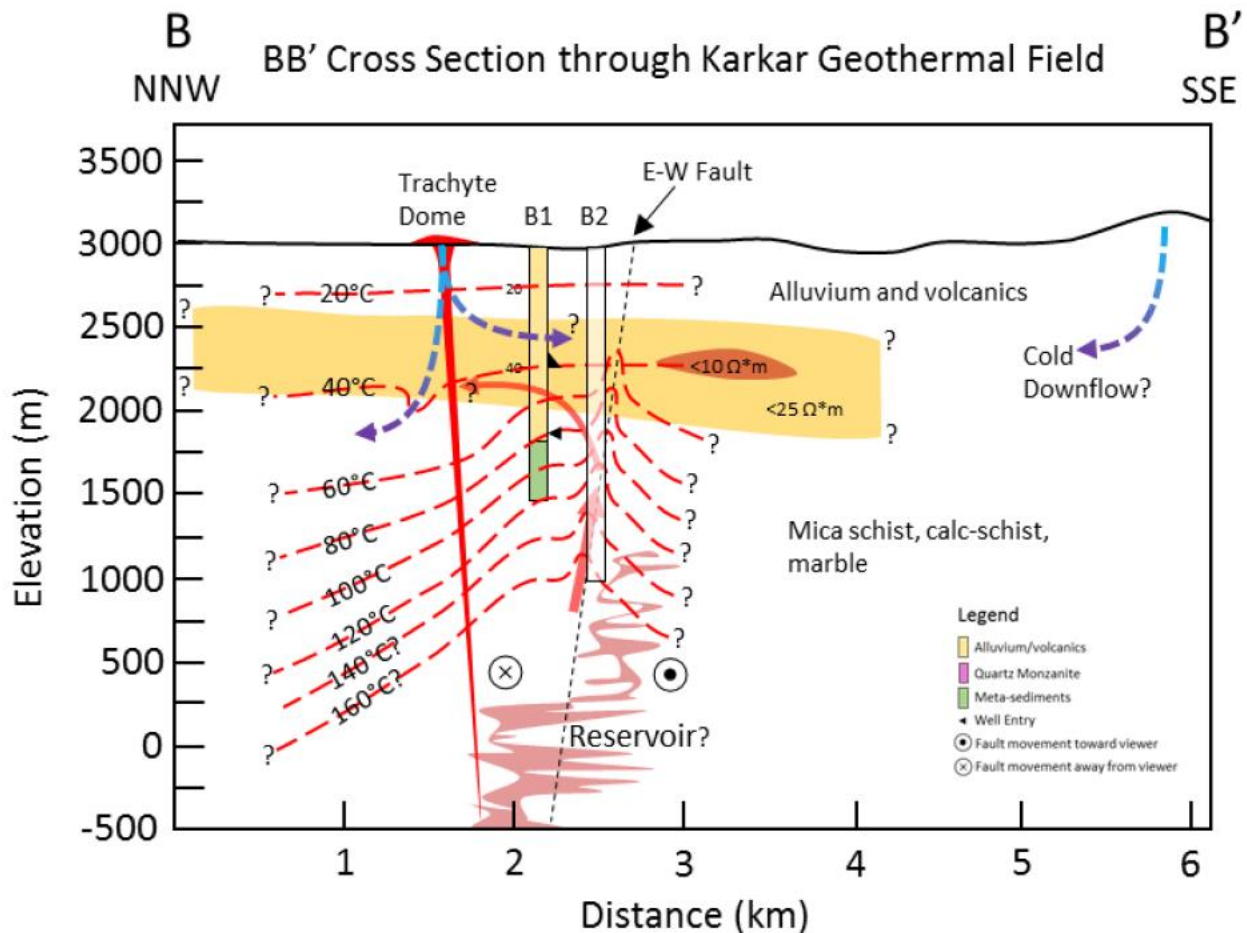
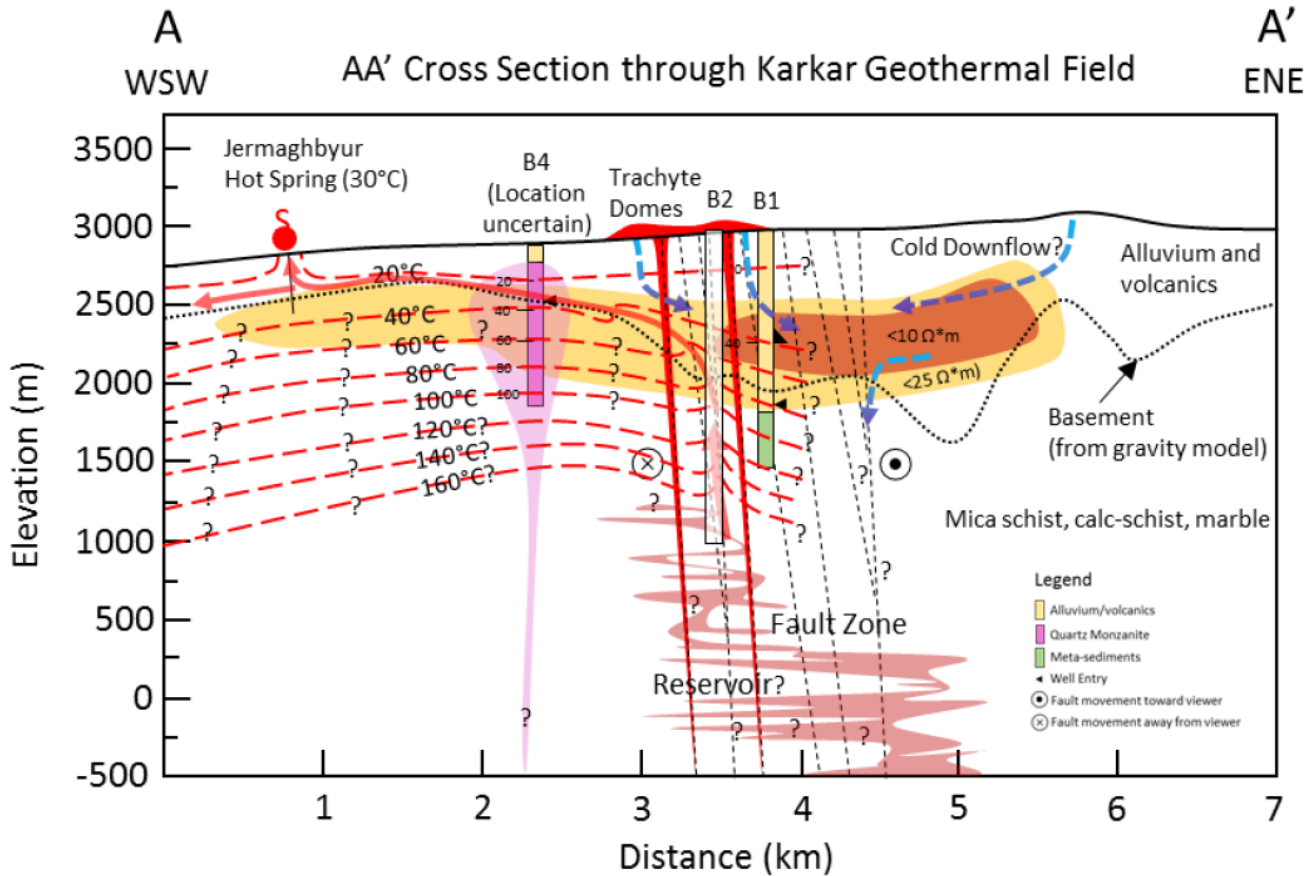
Cross-sections illustrating the conceptual model have been prepared and are presented below. Cross Section AA' runs WSW to ENE approximately perpendicular to the mapped N-S extensional fault zone and includes the Jermaghbyur Hot Spring, well N-4, and the basin containing wells B-1 and B-2. Cross Section BB' runs from NNW to SSE approximately parallel to the mapped N-S extensional fault zone, through the volcanic domes on either side of the basin and wells B-1 and B-2, and approximately perpendicular to the E-W strike slip fault interpreted by Erdogan Olmez (personal communication).

The preferred conceptual model involves a heat source at unknown depth related to volcanic intrusives and/or high regional heat flow. Hot buoyant fluids ascending from depth along the extensional faults utilize permeable marble zones in the basement rocks, fault complexities such as the intersection of the E-W and N-S extensional faults, and fracture networks between the faults to circulate forming a geothermal reservoir at depths of approximately 2000-3000 m and at temperatures between 150-160°C. The intersection of the fault trends allows an up flow of geothermal fluid to reach the permeable contact between the Paleozoic basement rocks and the overlying fractured Quaternary volcanic rocks. Geothermal fluid outflows along the basement contact in all directions at temperatures less than 100°C and mixes with cold meteoric groundwater which down flows along the fractured throats of the volcanic domes and within the fractured basin.

Meteoric water within the pull-apart basin recharges the reservoir along extensional faults on the margins of the basin.

An outflow at $>30^{\circ}\text{C}$ flows west along the basement contact and surfaces along a minor N-S fault at the Jermaghbyur Hot Spring, along with CO_2 derived from buried organic and/or deep crustal sources.





Recommendations for next steps

Further wells should be drilled to at least 2000 m at Karkar in order to prove higher temperatures and permeability associated with a possible upflow at the intersection of the dominant fault trends. Alternately, wells B-1 and B-2 could be deepened to 2500 meters.

Cuttings from B-1 and B-2 should be analysed at an appropriate laboratory for petrographic mineral identification, alteration clays by shortwave infrared (SWIR) and/or x-ray diffraction (XRD), and possibly fluid inclusion temperature analysis. Appropriate laboratories include ISOR in Iceland and GNS Science in New Zealand. The data and conclusions from these analysis should be made available to technical overseers and included in the conceptual models.

Temperatures in B-1 and B-2 should be re-surveyed at a later date to evaluate the stabilized temperature and confirm temperature gradients. This would help minimize the introduced error in the horner temperature plot and lead to higher accuracy in the conceptual model.

Well B-2 should have the cuttings on bottom cleaned out with a rig or coiled tubing unit and air compressor/Nitrogen unit. The total loss zone at ~1660 m should be tested once this is complete. Both well intervention methods are capable of clearing the cuttings from the bottom of the well, however the best course of action for this particular case is a drilling rig. The main advantage of using a rig in this instance is that the existing lining can be pulled and drilling may continue. If this course is chosen, the initial planned TD of 2000 m should be targeted to provide more conclusive data of existing models and improve the likelihood of viable production. The size and capabilities of the unit should be larger than that used to drill B1 and B2.

An area thermography map should be created to re-evaluate existing surface geothermal features and identify the location of the N4 wellbore. Consider using ROAV's or drone capabilities with radiometric IR cameras to complete this task in a cost effective manner. The results can be used to improve the accuracy of the existing conceptual model and improve the accuracy of subsequent well placements.

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Fig.8 - Uncertainty log of Karkar B-5 Well

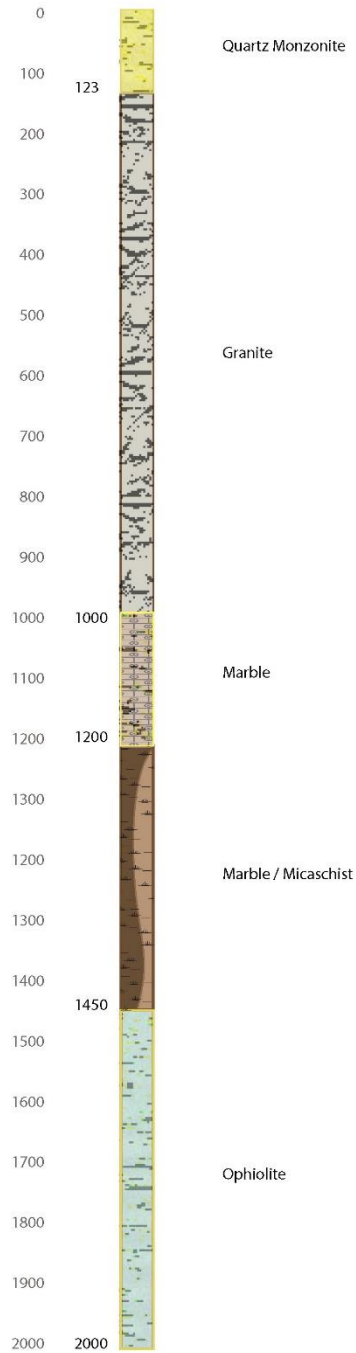
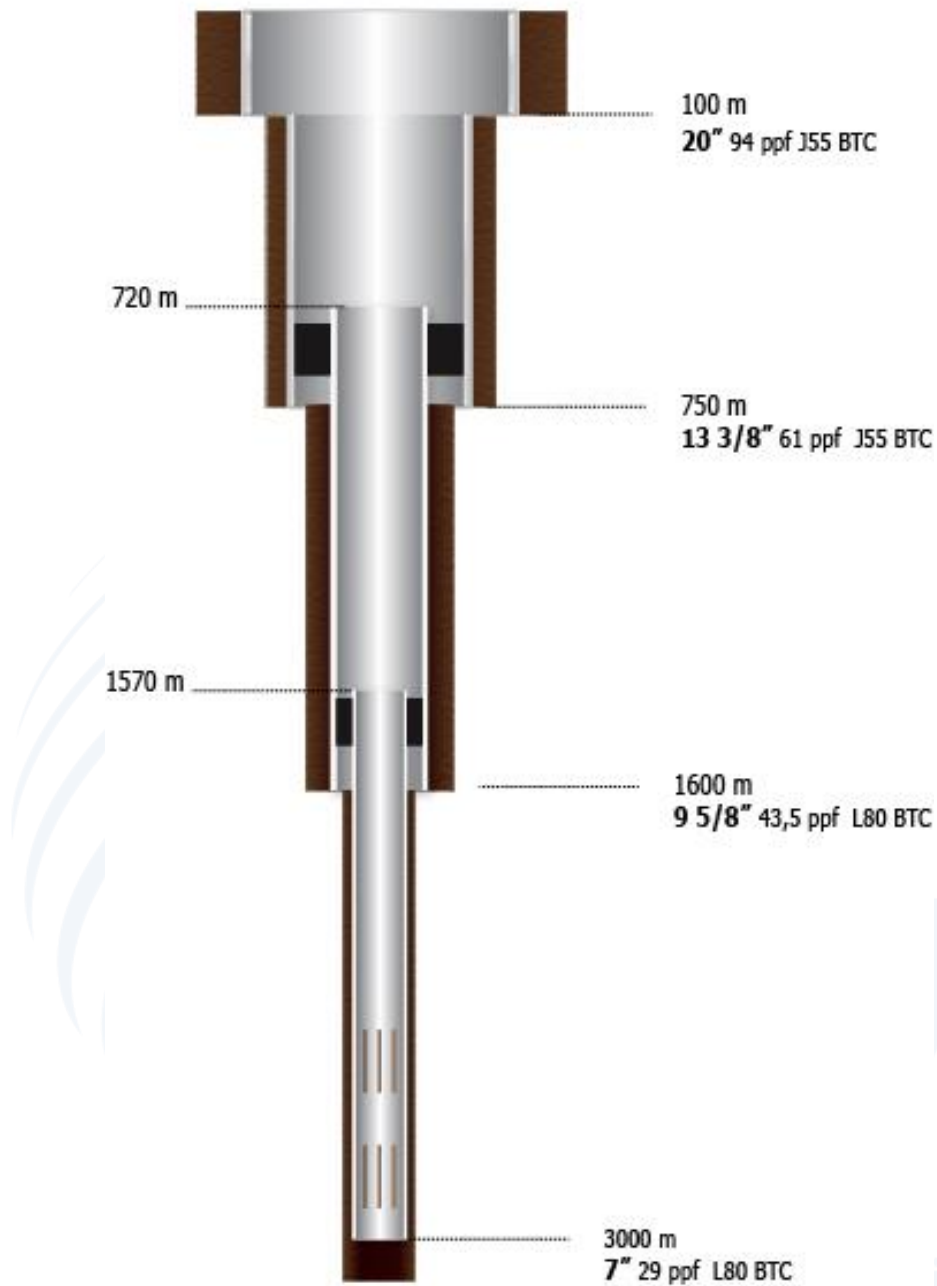


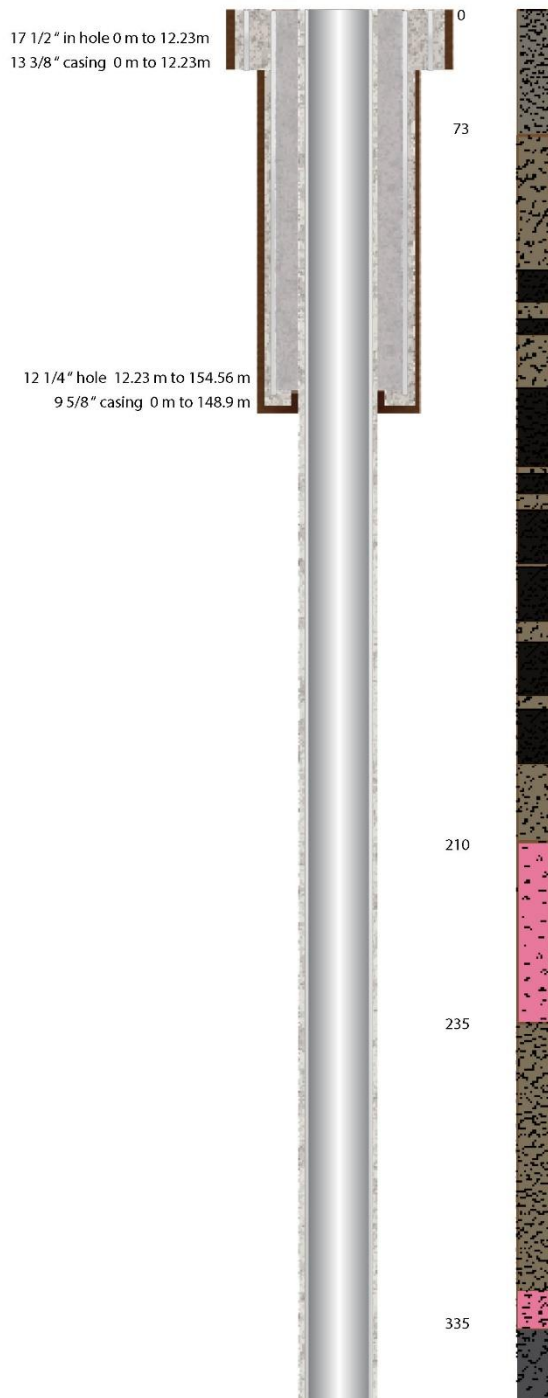
Figure 2 Uncertainty log of well B-5



Well Plan for proposed wells B3 and B5

APPENDIX

Lithology of B-1



Tuff: White in color, medium hard, rounded

Tuff: Yellowish brown to brown, beige, dark gray, black; firm to hard; micaceous transparent, green, shiny, glittering mica flakes (olivine, muscovite, plagioclase); occasionally very small obsidian grains; trace pyrite.

Basalt: Black, firm to hard, fine grain size, micaceous, pyroxene and amphibole accessories.

Tuff (Andesitic): Beige, gray, firm to hard, earthy, fine grain size, micaceous, coarse pyroxene, feldspar and quartz accessories.

Basalt: Black, dark gray, firm to hard, fine grain size, micaceous, olivine, pyroxene and amphibole accessories.

Tuff: Pinkish red, brown, beige, dark gray; firm to hard; micaceous, transparent, green, shiny, glittering mica flakes (muscovite, plagioclase); occasionally very small obsidian grains.

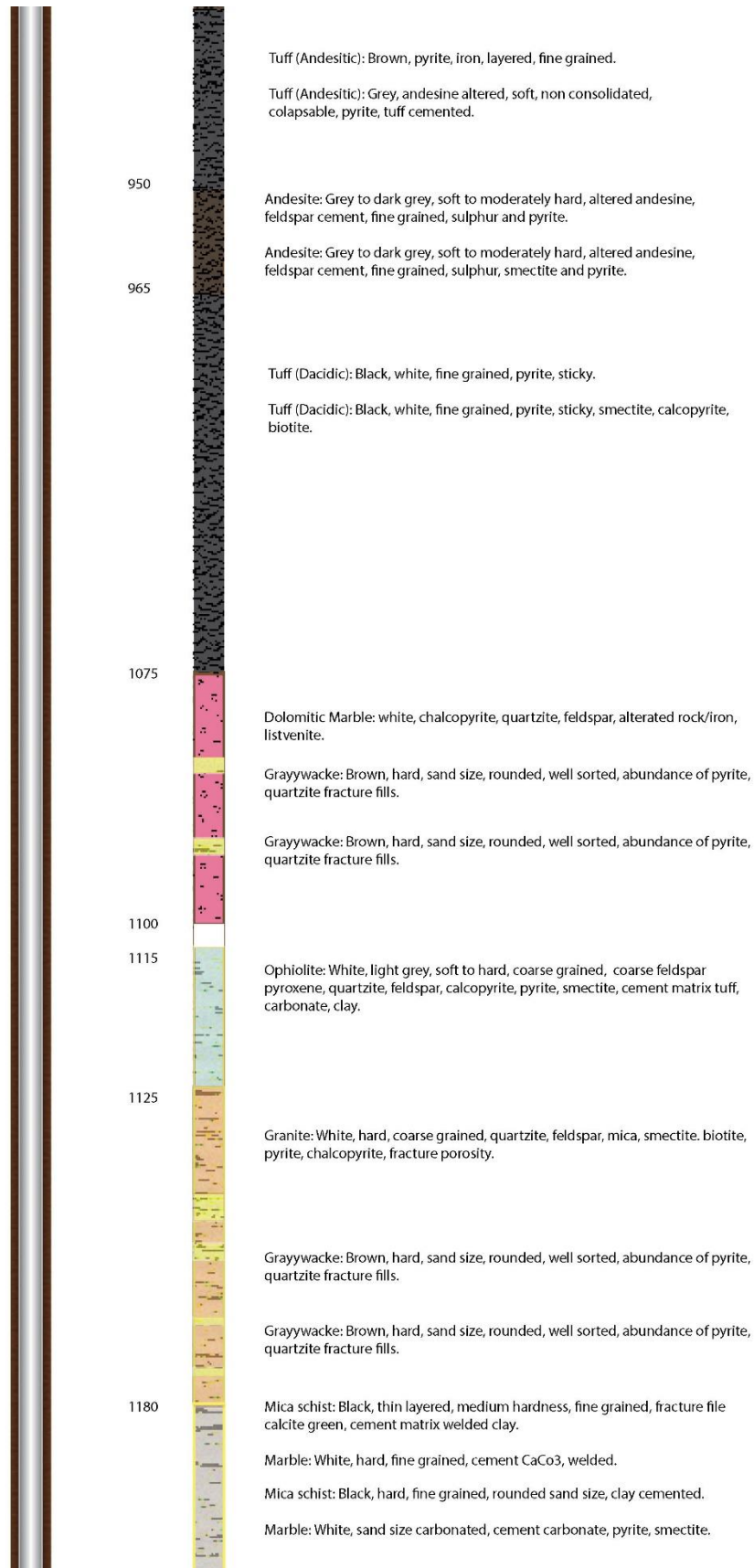
Diorite: Gray to dark gray; firm to hard; earthy, fine to coarse grained, micaceous, transparent, black, shiny, glittering mica flakes (hornblende, plagioclase, biotite); quartz accessories, occasionally light gray tuff grains, trace of andesite.

Tuff: Yellowish brown to brown, white, gray to dark gray, beige; soft to firm; micaceous, transparent, shiny, fibrous, glittering muscovite and biotite flakes; high percentage of white, translucent, sub-euhedral plagioclase grains.

Tuff: White, translucent, transparent, amorphous to chalky texture, soft to moderately hard, sub-euhedral to euhedral, vitreous.

Diorite: Gray to dark gray; firm to hard; earthy, fine to coarse grained, micaceous, black, shiny, hexagonal, glittering mica flakes (hornblende, biotite).





4 1/2" liner 649 m to 1497 m
6 1/8" hole 687 m to 1500.04 m



1500.04



Mica schist: Black, hard, fine grained, rounded sand size, clay cemented.

Marble: White, sand size carbonated, cement carbonate, pyrite, smectite.

Mica schist: Black, hard, fine grained, rounded sand size, clay cemented.

Marble: White, sand size carbonated, cement carbonate, pyrite, smectite, iron.

Mica schist: Black, hard, medium hardness, fine grained, clastics rounded, black clay cementing material, accessory minerals, serizites, pyrite, sulphur, smectite.

Mica schist: Black, hard, medium hardness, fine grained, clastics rounded, black clay cementing material, accessory minerals, serizites, pyrite, sulphur, smectite.

Marble: White, sand size carbonated, cement carbonate, pyrite, smectite, iron oxide.

Mica schist: Black, hard, fine grained, rounded sand size, clay cemented

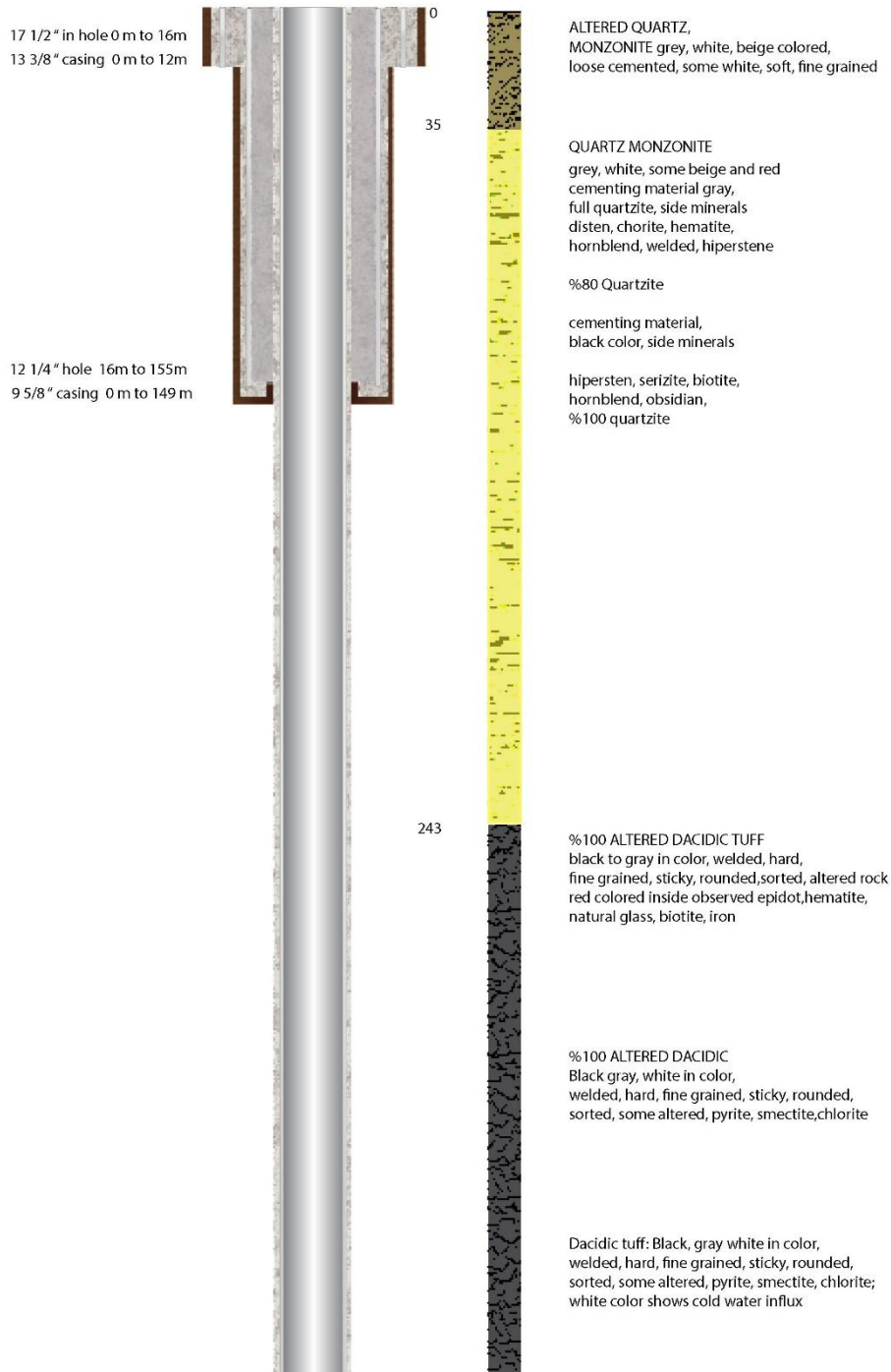
Marble: White, sand size carbonated, cement carbonate, sulphur crystal, pyrite, smectite, iron.

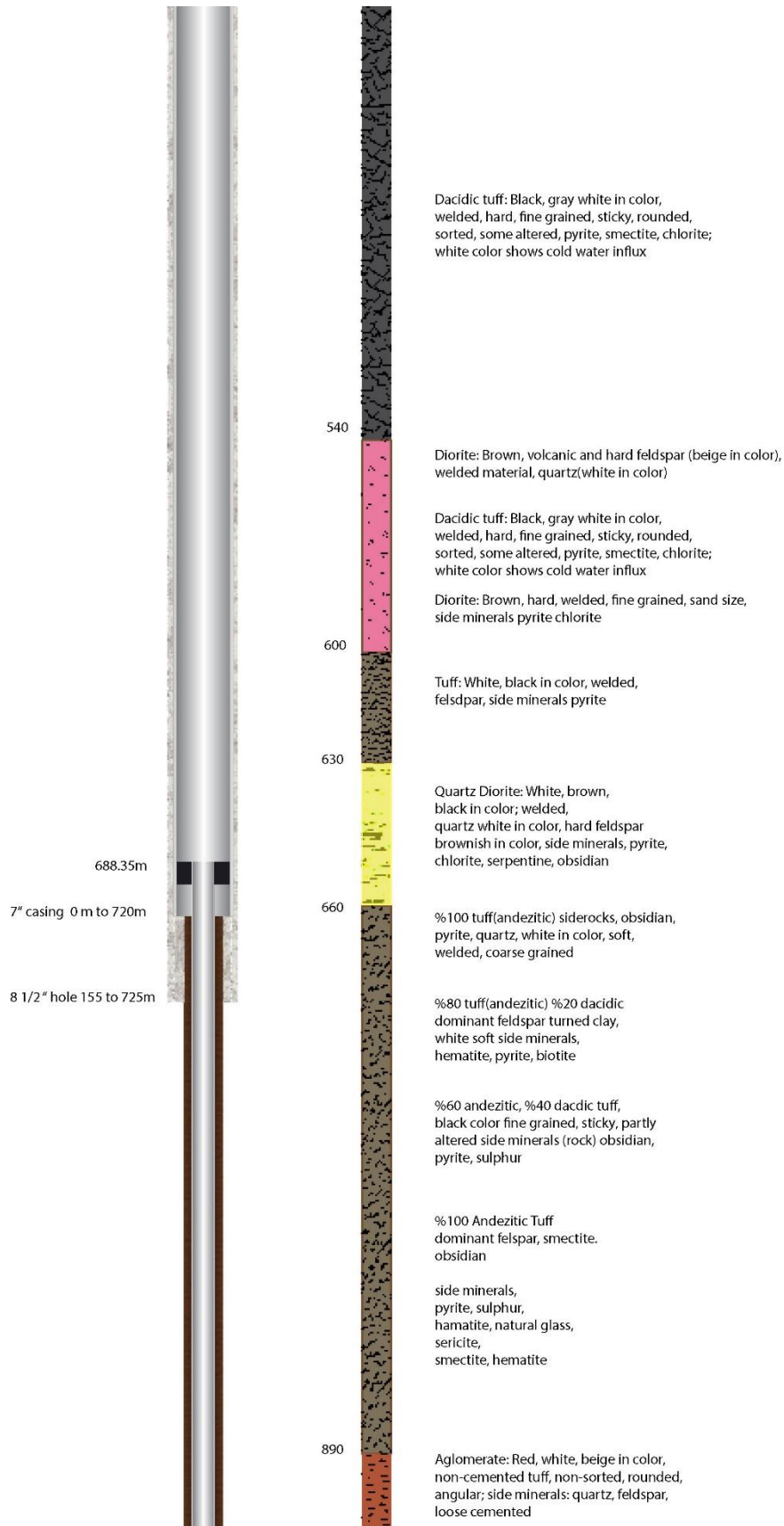
Mica schist: Black, hard, fine grained, rounded sand size, clay cemented, sulphur, serizit schist, green schist.

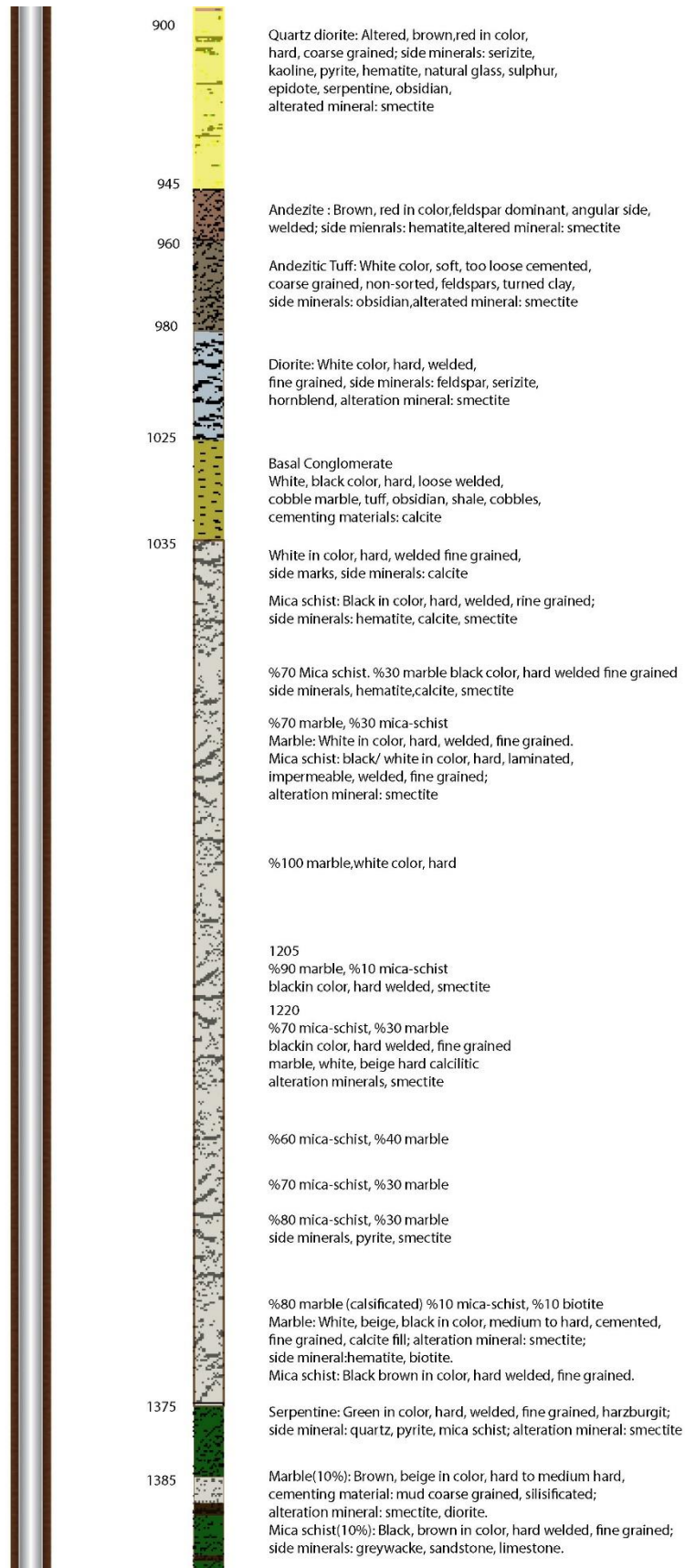
Mica schist: Black, hard, fine grained, rounded sand size, clay cemented, sulphur, serizit schist, green schist, pyrite, smectite.

Marble: White, sand size carbonated, cement carbonate, sulphur crystal, pyrite, smectite, iron.

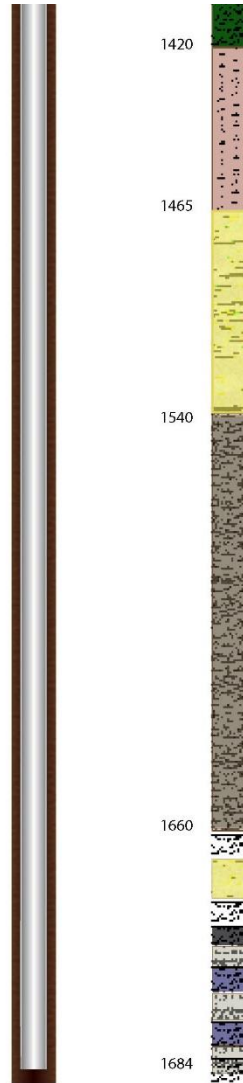
Lithology of B2







4 1/2" liner 688.35m to 1682.80 m
6 1/8" hole 725.10 m to 1684.01m



Serpentine: Green in color, hard, welded, fine grained, harzburgite, side mineral: quartz, calcite; alteration mineral: chlorite, smectite.

Ophiolites:

Metasandstone, beige in color, hard, well cemented, sand size quartzite, cemented by silica, welded, fine grained;
greywacke - gray in color, hard welded, cemented material - clay, sand size quartzite, coarse grained.

Quartzite

Gray, light beige in color, too hard, fine grained, silica dominant; side minerals: mica schist, pyrite, mudstone; alteration minerals: smectite, chlorite

%90 mica-schist %10 quartzite

Mica schist: Black, white in color, hard, fine grained; side rocks: marble; alteration minerals: smectite.

Quartzite: Gray, light beige in color, hard, fine grained, silica dominant; side rocks: mica schist, marble; alteration minerals: chlorite.

%40 marble, %30 Quartzite, %30 mica-schist

Marble: Brown, beige in color, hard to medium hard, cementing material CaCO₃, coarse grained.

Mica schist: Black, white in color, hard, fine grained, cementing material metamorphic mud; side rocks: marble; alteration minerals: smectite.

%10 serpentine, %80 quartzite, %10 marble

Serpentinite: Green in color, hard, welded, fine grained, harzburgite; side mineral: quartz, calcite; alteration mineral: chlorite, smectite.

Marble: Brown, beige in color, hard to medium hard, cementing material CaCO₃, coarse grained.

Quartzite: Gray, light beige in color, hard, fine grained, silica dominant; side rocks: mica schist, pyrite; alteration minerals: smectite, chlorite.

1660 - 1665 Total Loss

%90 Quartzite %10 metasandstone
white/ red in color, hard

1675-1680m Total Loss

%60 mudstone, %20 mica-schist,
%10 marble, %10 quartzite
red mudstone, white (quartzite/marble)
black (micaschist) color, hard (quartzite/marble)
soft (mudstone), cementing material clay, (mudstone)
CaCO₃ (marble) silica (quartzite, fine grained)
alteration mineral smectite, temperature inverse,
side minerals, pyrite, calcite.

