

BGS - Gilmerton Core Move Advisory Group Meeting (15th June 2010) Petroleum Group Summary

Summary and Conclusions

The Petroleum Group, represented by Andy Sims of Merlin Energy Resources, was involved in a meeting of the subject BGS Group on 15th June 2010. Minutes of the meeting will be published shortly on the BGS website.

Three principal conclusions have been reached by the Petroleum Group Committee (PG):

1. **Stabilisation, packaging and transport.** The BGS's current proposed approach to recording, stabilising, packing, transporting and QC'ing the Gilmerton core material, subject to publication by BGS for commentary from a wider audience, appears likely to be an appropriate approach to minimising damage to core material through transport. As expected BGS's staff are adopting an extremely thorough, diligent and professional approach to this process. Consequently, the PG Committee endorses the BGS's proposals in this area and believes Council of GSL can do likewise;
2. **Assurance of fund availability.** BGS estimate that the planned core move project will have a duration of 18 months but this estimate is not based on trials and is in some quarters seen as over optimistic. There is, therefore, scope for an extended period of user disruption and, importantly, for fund availability to diminish through the project with consequences for the process followed. PG Committee recommends to Council of GSL that assurance is sought from BGS that funds will be available to complete the core move using the final agreed procedures, regardless of any potential overruns to the published timeframe;
3. **Cost transparency.** Cost was not reviewed in detail at the meeting and PG only has access to published costs for the move, which show a total cost of c. £1mm. PG is uncertain whether this is a full reflection of the cost to BGS of the move or of the likely total cost. Notwithstanding potential benefits of consolidating core material at Keyworth, given both uncertainty and lack of transparency as to the full cost, the financial benefits of the planned move are not obvious. As a result PG reserves its view on the fundamental economic case which is understood to have driven the decision to move the material. It would be helpful for public support of the planned move if BGS were to commission and publish an independent review of the cost benefit in the light of the evolved cost position.

Stabilisation, Packaging, Transport and Quality Control

BGS has developed procedures for core handling during the move of the Gilmerton collection, outlined in a draft BGS discussion document "Gilmerton Core Sample Collection: Keyworth Transfer" which will be published when completed. In summary the current proposal involves photographing the core for curatorial purposes, stabilizing the core ahead of transport by filling end-voids, covering soft core with acid-free tissue and filling boxes with the same under cardboard if required. Cores would be loaded to pallets with a shock monitor and transported by road to Keyworth.

A QC procedure is being developed to specify which pallets and which boxes should be checked on receipt at Keyworth. The primary function of the photographs is to provide a

curatorial record of the core and not an examination tool, although they could provide some geological information and the intention is to make the curatorial photograph collection available as a web resource, together with an expanded sample and core curatorial database. The condition of the core will be checked against the photograph taken at Gilmerton to determine what, if any, movement has occurred. A number of photographs, of a lesser quality than at Gilmerton, would be taken of core boxes as they are unpacked for QA/QC examination at Keyworth. The photographs will include the packing provided for the journey and the condition of the core once the packing has been removed. There will be no movement of the core by the unpacking team before the photographs are taken.

BGS will develop procedures to minimise the impact on those wishing to view the core during the move process. It is currently anticipated that cores would be moved in sequential order. BGS estimate that the planned core move project will have a duration of 18 months. However, this estimate is not, as yet, well-constrained by time and motion studies using the full procedures that are being developed. The project schedule is critically dependent on the anticipated core handling speeds at Gilmerton being achieved, speeds which have been regarded as optimistic by third parties.

It is intended that the "Gilmerton Core Sample Collection: Keyworth Transfer" document will be updated following the discussions held at the Advisory Group meeting and will in due course be published by BGS for external review and comment.

Cost

The cost of the packaging and transportation process is a topic that was not part of the agenda of the Collections meeting. When PG reviewed the BGS's proposal in November 2010, BGS re-affirmed the cost estimate of £330k contained in the Tribal report. The most recent published BGS cost estimate suggests a move cost of around £1mm and that the economics of the overall project are strongly dependent on a guarantee of receipts from NERC in respect of the vacated facilities at Gilmerton and Loanhead. Refer to: <http://www.bgs.ac.uk/about/InformationManagementReport.html>.

Although BGS stated at the 15th June Collections meeting that they have a robust budget, this budget has not been made available for scrutiny. PG believes that observers will continue to question the substantial difference between the BGS's estimated move cost of £1mm and the discounted £4.1mm estimate which a commercial core contractor provided to John Underhill. Even bearing in mind that the commercial proposal included procedures that are probably not entirely justified for the Gilmerton core move, the possibility remains that BGS's latest estimate is still a substantial underestimate of the full cost. It is unclear for example whether and to what extent BGS's internal costs are reflected in the current estimates, which may reflect only third party charges.

Consequently, the basis of this costing and hence the economic argument for the move lacks transparency. The decision to move the core has been challenged by a number of individuals and the disparity between the latest BGS cost and perceived cost if undertaken by a commercial contractor is a cause for concern.

Lastly, concerns have been raised that funds available to BGS at project commencement may be insufficient to cover the cost of the full project. These concerns are particularly important in the current political environment.

27th July 2010