

Could Guyana Become The Next Oil Hot Spot?

By Irina Slav for Oilprice.com. April 12, 2017

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ExxonMobil last week announced its third successful oil find offshore Guyana – the tiny Latin American country squeezed between Venezuela and Suriname. The Snoek discovery follows hitting oil-bearing rock in the Liza-1 well and the Payara-1 well, where Exxon struck oil at the beginning of this year.

The three finds together have led analysts to estimate the total reserves held in Exxon's Starbroek block at between 1.4 and 2 billion barrels of oil equivalent, which Exxon is developing in partnership with Hess and China's Nexen.

First commercial oil will probably start flowing in 2020, from a floating production storage and offloading vessel, to be later joined by a second one and later by a third one, if all goes well. According to Wood Mackenzie, by the mid-2020s daily output from the Starbroek block could reach 450,000 barrels—a pretty respectable figure that is bound to attract the attention of other oil players.

Exxon is not the only one in Guyana: Tullow Oil and Eco Atlantic are exploring the potential of a neighboring block, Orinduik, which was initially estimated to hold some 700 million barrels of oil equivalent when exploration started last year but the companies later revised reserves to as much as 900 million barrels.

Eco Atlantic's chief executive said that the company has been approached several times by companies offering to buy its stake in the Orinduik block. Noting they were "big names", Gil Holzman added that Eco had declined the offers. Instead, the company plans to push the launch of drilling at Orinduik forward to 2018, three years ahead of schedule, in case international oil prices stay where they are now.

Now, the U.S. Geological Survey estimates the oil and gas reserves in the Guyana-Suriname Basin at 2.79 billion barrels of crude, at 95 percent certainty. This means Exxon and Eco Atlantic/Tullow have it pretty much covered. At 50 percent certainty, reserves in the basin could be 13.937 billion barrels of oil, expanding the playing field considerably. Gas reserves are seen at between 7.035 trillion cu ft (95 percent chance) and 36.802 trillion cu ft (50 percent certainty).

Exxon's chief of exploration, Steve Greenlee says the basin's geology is "technically complex", which normally translates into "expensive", but the company's CEO Darren Woods said at an investor presentation that the first phase of development of the Starbroek block, with daily output planned at 100,000-120,000 bpd will have a breakeven cost of \$40 a barrel.

That's comfortably lower than current oil prices and could fall further as Exxon and the other explorers in Guyana get themselves familiarized with the local geology. Exxon is

now planning a fourth well, in another sector of the Starbroek block as well as the launch of exploration at another block, Kaieteur, for which it won a license this February.

The very fact that a company the size of Exxon is focusing so much on tiny Guyana should be telling enough. Just one of four wells drilled so far in its acreage has turned out dry, which could be seen as pretty good odds there is indeed quite a lot of oil in Guyana's sector of the continental shelf.

It seems the industry is already taking note: Eco Atlantic's CEO told NewsBase that Guyana recently held an oil and gas conference that saw more than 300 industry executives attend. It might be time for energy companies to try and get a piece of the Guyana pie before prices fly up, which is bound to happen – look at the Permian.