

Gulf of Mexico Oil Bonanza; Too Good to Be True?

by
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07/09/06 www.mountainsentinel.com. A team headed by Chevron has reported the discovery of what could be a very large oil field in deep waters in the Gulf of Mexico. Though the company has not released an official estimate on the size of the reserve, Chevron officials have said off the record that the discovery could hold 15 billion barrels of oil and gas reserves.

If that is true, it would boost US reserves by 50%. That's the good news.

The bad news is that as of right now this is all speculation, and there are many problems with it. First, the only certainty in this report is that a test well produced 6,000 barrels per day while it was in operation. Much more testing will be necessary before the size of the field can be accurately assessed. The team, which also includes Devon Energy and Statoil, will drill another exploratory well in 2007. Currently, they expect to begin developing the field in 2008.

Bear in mind, this is ultra-deep sea oil we are talking about. The test well went through 7,000 feet of water and over 21,000 feet of earth, for a total depth of 28,175 feet. This is a record for deep sea wells, and it means that production of this field will be very difficult. And expensive. It also means, at this depth, that the reserve will be shorter lived than a similarly sized reserve closer to the surface. That is because it will take more energy to extract these reserves, raising the net energy hurdle for the wells.

It is also very interesting that this exploratory well was drilled two years ago. This discovery was announced in 2004, when it was news. This latest announcement doesn't add any new information, only speculation. Could this current announcement merely be intended to bolster Chevron's market value? Is it just a strategic move to place the US in a stronger position geopolitically vis-a-vis Venezuela or the Middle East? Or is it simply intended to help take oil woe pressures off the Republicans at mid-term elections? That could be the ticket right there: allow gasoline prices to soften, and then re-announce this major offshore discovery. What energy problems? Prices are down, the Bush energy policy to producing major new discoveries. Hey, prosperity is right around the corner.

It will be a very big corner, indeed. If this discovery pans out, it could take up to a decade before it is brought online. And then, as we said above, it will be shorter lived than its size would seem to indicate. Nor should we take these unofficial estimates too seriously. Remember all the talk about Caspian oil riches prior to 2002?

The Chevron officials are reported to have said the field could contain up to 15 billion barrels of oil *and gas*. We would like to know what the ratio is. If it is 60% oil and 40% gas, that would mean 9 billion barrels of oil. That is still a large find, but not as significant as 15 billion barrels. And what portion of the gas is likely to be in the form of gas liquids? This unofficial estimate amounts to little more than boasting.

But it is possible that Chevron's team has discovered a 15 billion field. What does that mean for us? Is it really a good thing?

This discovery could slow the US depletion rate, slowing the growth of oil imports for a while. It won't mean a tremendous cut in prices because deep water oil is more expensive to produce. And, due to the location, it will be vulnerable to hurricanes.

At worst, it will mean that we can go on with our energy binge for a little while longer. But in the long run, this will only make our hangover much worse once we finally do wind down. And it means that we will continue pumping greenhouse gases into the atmosphere until it is too late to do anything about it.

If this announcement is not all a bunch of bluster, then here is what it is really saying: “Go on with your conspicuous consumption. We will hunt out every drop of hydrocarbons to fuel this false prosperity, until the whole edifice comes crashing down or the planet can no longer support human beings, whichever comes first.”