



Colombia inks offshore oil deals with Ecopetrol, Repsol, Exxonmobil

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HOUSTON
Petroleumworld 04 04 2019

Colombia's National Hydrocarbons Agency has inked upstream contracts with state-controlled oil company Ecopetrol, Spain's Repsol and ExxonMobil for two offshore blocks, the latest move by the country to boost its waning oil production.

Colombia currently produces just shy of 900,000 b/d of crude, down from 1 million b/d in 2015, according to S&P Global Platts Analytics, which forecasts output rising to roughly 925,000 b/d in 2020.

News of recent upstream deals "shows that the dormancy created by the last administration is officially over," said Jeremy Martin, vice president of energy and sustainability at Institute of the Americas, a public policy think tank. "Companies are ready to go. The government is fully engaged and the [Ivan] Duque administration sees the upside to seizing/rebooting the oil sector and upstream investment."

"Directionally, these two contracts for offshore and other contracts we expect to be signed support our view that there eventually will be Colombian crude production from offshore," said Platts Analytics analyst Bill Fuller. "This is still highly uncertain as only gas has been discovered so far."

Colombia's onshore conventional crude production has "little chance of returning to its former peak," Fuller said. "Colombia's onshore conventional oil fields tend to be small and heavy oil which make them relatively expensive. This is why Colombia is pursuing offshore leasing and fracking onshore shale deposits."

The deal, signed Tuesday, was for the Gua Off-1 and Col-4 blocks, sited in Caribbean waters. They carry exploratory investment commitments that if fully executed would total more than \$700 million, ANH said in a statement Wednesday.

Last month, Shell signed two E&P contracts with ANH for Caribbean Sea blocks Gua Off-3 and Col-3, requiring \$100 million in initial investments.

Repsol will operate both blocks, each of which is sized at around 988,000 acres, with a 50% stake. Its 50% partner for Gua Off-1, located 48 miles from the coast near La Guajira Province, is Ecopetrol. For Col-4, sited about 62 miles off the coast near Bolivar Province, Repsol is partnering with ExxonMobil.

The Colombia Petroleum Association has blamed the drop in production since 2015 on reduced spending, chiefly in exploration. But Colombia has recently revised its terms for offshore blocks, incentivizing exploration and production activity.

Colombia has made similar efforts in the past too boost its production, but "permitting agencies in terms of environmental and social issues became a major bottleneck," Martin said. "Many companies (particularly the smaller independents and juniors without deep pockets) grew impatient and walked away."

If all the exploratory programs reach full development, estimated investment commitments would exceed \$1.6 billion, ANH said in its release.

EXXONMOBIL ACTIVE IN COLOMBIA, GUYANA

Both ExxonMobil and Repsol operate various Colombian projects and assets.

Fernando Sarria, President of ExxonMobil Exploration Colombia, said the major has operated in Colombia for more than 100 years.

"Signing of this contract reinforces our interest in identifying opportunities to expand our operations in the country, both onshore and offshore," Sarria said in a statement Wednesday.

ExxonMobil is currently nearing completion of its first of many planned oil developments in nearby Guyana. First oil in that country is expected in early 2020; five producing projects are contemplated by 2025 totaling 750,000 b/d.

Repsol also has at least two other offshore exploratory blocks and several onshore producing projects in Colombia.

"Signing of these contracts [with Ecopetrol and ExxonMobil] shows our interest in continuing exploration ... in the Colombian Caribbean," Giancarlo Ariza Merello, Repsol's exploration manager of Colombia and the Occidental Caribbean, said in the statement.

In addition, Occidental Petroleum also acquired six onshore blocks in Colombia in recent months with an estimated resource of more than 700 million barrels of oil equivalent. The company has said it expects to begin exploring the acreage this year.

Oxy also operates Colombia's giant Cano Limon field, which it discovered in 1983.



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spglobal.com 04 03 2019

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