

The Barrel

Is it better in the Bahamas? Drilling for oil in a place known mostly for storing it

By Robert Mayer on January 12, 2012 5:10 AM | [No Comments](#) | [No TrackBacks](#)

More than just a playground for winter-weary northerners, The Bahamas serves as a key distribution center for the world's oil.

It's home to Buckeye's Borco and Statoil's South Riding Point terminals that, with a combined 29 million barrels of storage -- and growing -- makes the island nation the region's largest transshipment point of other countries' oil.

The Bahamas itself doesn't produce a drop...yet.

But the UK-based Bahamas Petroleum Co. believes some 4 billion barrels of oil lay under the Bahamian waters. The company recently wrapped up conducting 3D surveys, and plans to spend 2012 laying the groundwork for exploratory drilling in 2013.

A key hurdle, however, persists.

The Bahamas government remains haunted by the 2010 Macondo oil spill, and the exploration freeze implemented in the Bahamas just months after the capping of the out-of-control exploratory well continues to this day. The freeze isn't indefinite, and government officials insist it will be lifted once a lengthy and comprehensive list of new regulations is in place.

"The Bahamas is not adamantly against drilling," Gilles Deal, an energy analyst with country's ministry of environment, told Platts in a recent phone interview. "It's just that we want to make sure the environment that we value is protected."

No target date exists for the lifting of the exploration ban, but Deal anticipates that the government will complete its regulatory work before the oil company finishes its 3D survey evaluations.

"All things are working together," he said.

The Bahamas witnessed exploration by a number of international companies from the 1940s to the late-1980s, with several wells drilled, but the difficult geology and the then-insufficient technology rendered oil production in The Bahamas inconclusive.

But today's hi-tech exploration allows for improved detection of potential oil deposits within the hard limestone, or carbonate, geological structures underneath the Bahaman waters.

Simon Potter, who climbed into the oil company's CEO seat in October, said in a recent interview that he brings a "strong track record of hydrocarbon discovery" in such countries as Mauritania and Uganda. He hopes to parlay that experience in The Bahamas where the company has five exploration licenses covering 3.9 million acres, most of which lay in the straits between central Cuba and Andros Island, the southern tip of The Bahamas.

There are no proven reserves in The Bahamas yet, but a competent person's report, or CPR, concluded last summer analyzed 2D seismic data, and determined a mean estimated ultimate recovery of 4.27 billion barrels.

The targeted area is part of the same geologic belt as the burgeoning offshore oil patch in northern Cuba waters. "If you infer it's full of oil at one end, it's safe to assume oil at the other," Potter said.

Despite promising 2D surveys, the company spent \$35 million during the summer for 3D seismic surveys, both for increased confirmation of oil potential as well as for greater precision in drilling a safe well.

In regards to safety, Potter emphasizes an "important distinction" between the geologic dynamics, and pressure differential, of the subsurface Bahaman strata, and that of the Gulf of Mexico.

The latter is the product of eons of uplift from the Rocky Mountains, with the resulting rubble rapidly depositing in the Gulf, with a subsequent high pressure buildup. Hence the relentless spewing of the Macondo well, he said. The Caribbean shelf, on the other hand, possesses tamer geology and more amenable to safer drilling.

"All of us are in agreement in the need to drill a safe well," Potter said of the shared goals between the

company and the government. "These things take time."

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