

\$30bn Government Royalty Earnings Forecast From Oil



As of Wednesday, August 1, 2012

★ [Sign in to favorite this](#)

[Discuss](#)
3 comments, Blog about

[Share this](#)
Email, Facebook, Twitter



By NEIL HARTNELL

Tribune Business Editor

nhartnell@tribunemedia.net

The Government could earn a collective \$30 billion in royalty income during “the first 10 years of production” if projected quantities of oil are discovered in Bahamian waters, an oil explorer yesterday saying this would put the nation’s finances “into the black pretty quickly”.

Dr Paul Gucwa, the Bahamas Petroleum Company’s (BPC) chief operating officer, speaking after a weekend presentation given to the Trades Union Congress (TUC) on its activities, said he was “confident that everything was moving forward” on both the company’s and the Government’s side.

Suggesting that BPC’s licence renewals, outstanding since just prior to the May 2012 general election, would be dealt with “in due course”, Dr Gucwa said the Government was continuing to work on putting the correct regulatory and safety regime for its activities in place.

Confirming that BPC would seek an extension if the Government failed to have the regulatory regime in place in time for it to meet its commitment to ‘spud’ a first exploratory well by April 26, 2013, Dr Gucwa added that the company was also set to “crank up” its public relations efforts to ensure the Bahamian public had all the “facts” on its operations.

In his presentation to the TUC, Dr Gucwa said BPC’s activities over the next two years - if they were allowed to proceed and discovered the commercial quantities of oil forecast - “could help rebase the Bahamian economy”.

Noting that there was time to train Bahamians for the jobs that may be created, Dr Gucwa said that based on there being two billion barrels of oil in Bahamian waters, production would take place over three stages.

The first would involve drilling 15 wells, with production set to peak at more than 72 million barrels per year in the first year.

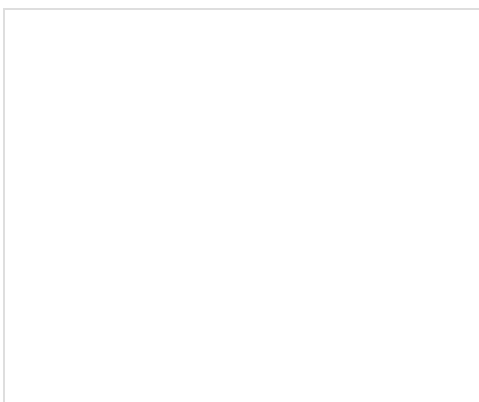
Explaining that this initial phase was designed to provide BPC with some income to offset development costs, Dr Gucwa said the second phase would involve a further 21 wells.

And production, according to his presentation, would peak at over 160 million barrels per year during the sixth-seventh years of drilling, encompassing a third development phase.

The TUC presentation showed that the Government would start earning royalty income, some 12.5 per cent of each barrel extracted, in the third-fourth year of BPC’s activities if exploration proved successful.

Collective royalty income, forecast as being between \$3-\$4 billion per year, was set to hit \$30 billion over the 10-year period between the fourth and 14th year of BPC’s work, the company projected.

“It is exploratory, but if it did work out that oil was there, it could be very good for the Bahamian economy,” Dr Gucwa told Tribune Business yesterday. “It would put it [the Government’s finances] into



OLYMPICS 2012
[Click Here](#)

the black pretty quickly.

"If we get the go ahead to go drill our well, and make a significant discovery, that will provide another source of revenue for the Bahamian economy. Presumably, it could be significant."

BPC's presentation to the TUC showed that the company still plans to launch its Bahamian Depository Receipt (BDR) share offering to Bahamian investors during the third quarter this year.

And, having spent \$50 million to-date on seismic testing and searches in Bahamian waters, the presentation pegged the cost of exploratory drilling - the stage BPC has reached - at \$60-\$160 million.

If that goes well, a further one-three years of appraisal drilling in Bahamian waters will follow, typically requiring a \$400-\$600 million investment.

After that, three-six years of development and construction planning, and 220-40 years of possible production, were set to follow, costing anywhere from \$30-\$40 billion.

Disclosing that BPC was "starting to crank up our communications", with more trade union and church group presentations set to follow, Dr Gucwa told Tribune Business: "Our desire is that everyone understands the facts behind what we're doing, and makes a decision on the facts, some of the miscommunication that floated around during the election."

Acknowledging that the new Government had much on its agenda when it took office, he added: "I'm confident that everything is moving forward."

Asked about the status of BPC's licences, Dr Gucwa added: "I'm expecting that in due course everything will be dealt with."

"It's my understanding that they are working to put the regulations in place, and we've had several meeting now with several of the groups responsible should there be an accident when we're drilling. We're having more communication with the Government."

Kenred Dorsette, minister of the environment, confirmed that work on devising an appropriate regulatory regime, together with health and safety and environmental rules, was ongoing.

He told Tribune Business: "Certainly, we do not have the regulations, or updated regulatory environment, that I think would be necessary for that industry."

"My Ministry is in the process of continuing to work to review the regulatory environment, and we intend to work with the Attorney General's Office in that regard."

Confirming that BPC was still working towards the first well target date of April 26, 2013, Dr Gucwa added: "Hopefully the Government will be there by then in terms of having the regulatory regime in place."

"If for some reason they're delayed we would want an extension, as we would not want to start a well in June at the start of hurricane season."

In a brief interview with Tribune Business yesterday, Simon Potter, BPC's chief executive, said the company was "working on business as usual" when it came to its licences.

Adding that BPC had met the renewal conditions "many times over, many fold", he said: "We're very clear on what our obligations are, and are looking forward to working with the Government to ensure we achieve them as best we can, both from an environmental and economic point of view."

More like this story

- \$102m plant's timetable missforces Baha Mar to 'Plan b'
- Marriott 'autographs' \$11m resort project
- Bahamas 'incredibly well placed' on financial services
- No oil in Cuba drilling - but BPC not put off
- 'Country will decide on oil exploration'

Comments

15 hours, 42 minutes ago



Powered by: CoveritLive



Tribune242
Tribune242

Tribune242 Wednesday's Tribune PDF edition now online bit.ly/OENJ0c
12 hours ago · reply · retweet · favorite

Tribune242 Arianna just misses out on historic final bit.ly/PmN523
12 hours ago · reply · retweet · favorite

Tribune242 Native son finds success abroad bit.ly/McHdRk
12 hours ago · reply · retweet · favorite

Tribune242 'Q' ready for second Olympic appearance bit.ly/Qrgcp7
16 hours ago · reply · retweet · favorite



Join the conversation

▼ Popular stories

- [Caricom role for Forbes](#) 1 comment
- [TV credit rush cost senior Pictet staffer her job](#) 3 comments
- [Think up](#) 4 comments
- [Bahamians 'not disciplined enough' to use casinos](#) 123 comments
- [Team Bahamas off to a flyer](#) 4 comments
- [\\$30bn Government royalty earnings forecast from oil](#) 3 comments



oracleoctavia 1

Cost of ExxonMobile spill...August BP's Gulf of Mexico oil spill bill could hit \$60bn, Moody's warns The final cost to BP from the Gulf of Mexico oil spill is likely to "remain uncertain for years to come" and could reach \$60bn (£37bn), according to new analysis from Moody's, the rating agency...<http://www.telegraph.co.uk/finance/newsbysector/energy/oilandgas/8462057/BPs-Gulf-of-Mexico-oil-spill-bill-could-hit-60bn-Moodys-warns.html> The world's largest oil company by market value, ExxonMobil Corporation (XOM - Analyst Report) has projected the expenditure to clean up a July 1 oil spill into the Yellowstone River in Montana at \$42.6 million, as per a filing with the federal regulators.....<http://www.zacks.com/stock/news/59797/exxons-oil-spill-to-cost-%24426m>..... Yellowstone River oil spill in Montana to cost Exxon \$135 million Published: Friday, November 04, 2011, 4:30 PMhttp://www.nola.com/business/index.ssf/2011/11/yellowstone_river_oil_spill_in.html

So where is the environmental impact study, where is the legislation to protect the related industry....what is the potential adverse impact on FISHERIES & TOURISM...who is liable...where is the liability lines drawn if spill drift over to Florida or other islands...Jamaica, Puerto Rico etc....let's not be fooled with the Fool GOLD !!

Sign in to suggest removal

Sign in to reply



13 hours, 34 minutes ago

TalRussell 0

PM Christie you seem to think your mandate on Decision Day 2012 has somehow given you the green light to legalize the criminal activities of the numbers rackets and to place our entire tourism industry at drilling for oil risk?



by TalRussell

Sign in to suggest removal

Sign in to reply



11 hours, 39 minutes ago

snerco 0

Where are the Town Hall meetings as promised over this oil exploration in our pristine waters? The damage done to marine life (well documented in marine mammals) by the seismic testing alone is horrific. It deafens them and then they die and this is even BEFORE the hideous vista of 36 oil rigs could possibly become a reality on our horizons. Oh, the lure of "easy" money. Never seems to fail until it fails..bringing down our tourist and fishing industries. There are ALWAYS oil spills. Even at Clifton one can often see the sheen of spilled gasoline and diesel fuels and that is but nothing compared to what a spill and leakage of crude would look like. This is madness. Please Mr. Christie, don't be blinded by the prospects of billions flowing into this country; the costs of a disaster would soon outweigh them. Please look at clean and renewable energy technologies; wind mills would look a heck of a lot better in our waters and would create marine habitats at their bases and they don't spill anything; ocean currents generate energy...there ARE other alternatives to filthy oil. Think long and hard before jumping off this cliff.

Sign in to suggest removal

Sign in to reply

Sign in to comment

Username Or login with:

I have an account.
I'm new.

OpenID

Password [Forgot?](#)

Special Features



Obits



- [Charles Ferguson](#)
- [Kenyon McDeigan](#)
- [Henry Thurston](#)
- [Walter Nesbitt](#)
- [Randolph Thompson](#)

PDF Edition

