

Huge Oil Discovery Boosts Argentina's Potential

ALMUDENA CALATRAVA, Associated Press



BUENOS AIRES, Argentina (AP) —

A huge oil discovery by the Spanish company Repsol has sharply boosted Argentina's potential to cash in on energy and could eventually attract an infusion of investment to exploit the shale oil.

Experts said Tuesday that the find is very promising, but it is unclear how much time and investment may be needed to capitalize on the oil beneath the rocky, barren plains of Patagonia. The company said the discovery includes 927 million barrels of recoverable oil and natural gas, of which 741 million barrels is shale oil.

Shares in Repsol YPF SA soared a day after the find was announced, rising 6.3 percent in Madrid and 7.4 percent in New York at the close of trading on Tuesday.

Former Argentine Energy Minister Jorge Lapena said it's a "spectacular announcement" but that the reserves have yet to be proven and that studies on economic feasibility and environmental impact still need to be carried out.

Some environmentalists also are concerned that such oil development in Argentina would put pressure on freshwater supplies and could pollute water sources.

"There's still a long path to go from resources to reserves, and then to put them into production," Lapena told reporters. He said the find, if proven, appears to represent about 40 percent of Argentina's reserves.

Huge Oil Discovery Boosts Argentina's Potential

Published on Chem.Info (<http://www.chem.info>)

Though potentially a game-changer for Argentina, the find is small compared to Brazil's recent deep-sea oil discoveries, which experts have estimated could represent as much as 55 billion barrels. Venezuela, South America's largest oil exporter, says it has a whopping 296.5 billion barrels in proven crude reserves.

Still, for Argentina the find could lead to an eventual increase in oil output, and other areas remain to be explored.

"It must be proven first of all that they're commercially exploitable reserves," said Daniel Bosque, editor of the Argentina-based website Enernews. He said a key question is how competitive the government-regulated prices end up being for such oil shale, or unconventional oil, which is costlier to extract than normal crude.

He said heavy government regulation in the past decade has been a disincentive to investment as oil production has declined and as imports of oil products and natural gas have risen. The latest find could help reverse that trend if it's economically feasible, Bosque said.

Jason Schenker, an energy analyst and president of Austin, Texas-based Prestige Economics LLC, said such oil discoveries "will be critical to meet rising global oil demand."

"Now, the questions will be: How quickly can this oil be brought into production ... and at what price?," Schenker said.

Those are questions that Repsol isn't immediately ready to answer with specifics.

But Kristian Rix, a Repsol spokesman in Madrid, said that because 15 vertical wells have already been drilled and are producing 5,000 barrels a day of shale oil, developing the area "is uncomplicated from our point of view."

"It's a producing region, so all the infrastructure is there already, so putting new wells on line is very fast," Rix said in a telephone interview Tuesday.

He said that while it's typical in the industry to have a lag time of five to seven years between exploration and production, "this is clearly not the case here, because we're already producing from wells."

He said it's too soon to comment on projected investment or how long it could take.

"We are still at a very intense exploration stage," Rix said.

The shale oil was discovered in the arid "Vaca Muerta," or "Dead Cow," basin of Neuquen province in northern Patagonia, a region of treeless plains dotted with dry brush where there are two nearby lakes.

Rix said the oil would be extracted by hydraulic fracturing, or "fracking," the technique that involves injecting water, sand and chemicals at high pressure to force out the fuel. It's not yet clear which water sources would be used in that

Huge Oil Discovery Boosts Argentina's Potential

Published on Chem.Info (<http://www.chem.info>)

process.

The environmental group Greenpeace opposes such oil developments unless "it's shown that there's no impact," said Ernesto Boerio, an energy and climate campaign coordinator for the organization in Argentina.

"More needs to be known about this project," Boerio said.

Greenpeace said in a recent report that fracking puts serious pressure on water supplies, particularly in arid regions, and also warned that chemicals used in the process can contaminate underground aquifers and that little is known about the possible effects.

As for Repsol, "we operate to the highest standards of safety and environmental protection," Rix said.

Repsol YPF owns oil rights to 12,000 square kilometers (4,600 square miles) of the Vaca Muerta basin, but like other oil companies, it has just begun exploration. The discovery came while exploring an area of just 428 square kilometers (165 square miles) known as "Loma La Lata Norte."

The company now plans to expand its drilling in a nearby area of about the same size that shows similar potential, Rix said.

Repsol YPF SA is based in Spain but operates in more than 30 countries. Argentina is now home to two-thirds of the 3 billion barrels of oil deposits that the company considers recoverable, up from half.

Associated Press writers Ian James in Caracas, Venezuela, Bradley Brooks in Sao Paulo and Alan Clendenning in Madrid contributed to this report.

Source URL (retrieved on 01/24/2015 - 11:38pm):

<http://www.chem.info/news/2011/11/huge-oil-discovery-boosts-argentinaspotential>