
Offshore Newfoundland and Labrador: exploration and production update for 2006

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While hydrocarbon exploration offshore Newfoundland and Labrador is still at a very low level, totally unjustified by the high price of commodities, oil production has reached record levels. Only one well, Husky Lewis Hill G-85, located in the long-neglected South Whale Basin on the southern Grand Banks, was drilled last year with yet unannounced results. No other well is planned in this area for the current year and some exploration licenses in the vicinity that are near to expiration date are in dispute. A large area under license in the Laurentian Basin is being actively explored by a group led by ConocoPhillips. Two possible prospects have been covered by 3D seismic data, but drilling is not likely to commence until 2007. Within Jeanne d'Arc Basin the most active explorer, Husky Energy, has prepared several locations for shallow and intermediate depth drilling targets and the program awaits an available drilling rig. The modern fifth generation, ultra-deep-water semi-submersible Eiric Raude, which has already been used in the Flemish Pass, Scotian Shelf, and North Sea, has been contracted by the Orphan Basin exploration group to drill a deep water location during 2006 within the East Orphan Basin. Seismic acquisition will continue through 2006 with 2D speculative data being acquired in the Labrador Sea and probably in the Maritimes Basin.

With the start of the White Rose field, offshore production levels have reached 400 000 bopd which represents 40% of Canada's light oil output and strengthens the Grand Banks' reputation as a prolific oil basin. Delineation of three approved production licences is almost complete and there is little room to increase daily production within present permit boundaries.

Most likely, further delineation wells will be drilled around the White Rose complex for additional pools. The recent 2004–2005 landsales have attracted operators to Exploration Licenses in the immediate vicinity of Production Licenses. This activity suggests that the hunt for extension of the fields outside of their production permit areas, or for satellites easy to reach from existing infrastructure, is in play. The Hebron development is clearly in the cards, and will commence sooner rather than later, if a production agreement is reached between governments and the Chevron-led licence holders. Numerous smaller, dormant oil fields in the Jeanne d'Arc Basin are still to be considered. Gas development is at least 5 to 7 years into the future.

No doubt the Province, or at least the east coast of the Province, is experiencing a production mini-boom but we cannot quite compare now or the immediate future with traditional hydrocarbon production areas such as the North Sea or Gulf of Mexico. The present low level of exploration is partially justified by elevated geologic risk (low success ratio), high cost of drilling exploration wells (\$25 to 60 Million), and the companies' focus in other areas or toward field development. Cautious optimism for the success the planned exploration wells and adequate pro-business attitude of all stakeholders is required to maintain the momentum in the petroleum industry of offshore Newfoundland and Labrador. In the absence of drilling success the role of fundamental applied research by public institutions will take on an even greater importance, in maintaining exploration interest and the hope for a major expansion of the industry.