

Shell's Deepwater Activity, Gulf of Mexico

By

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Recent years have witnessed a tremendous growth in industry activity in the Deep Water Gulf of Mexico. We have seen a turn around from the bleak forecasts of the early 1990's to the optimism of 1997, reminiscent of the heady days of the late 1970's and early 80's. The wake up call for 1998 seems to be the unwelcome, but not wholly unanticipated, oil price decline of the last several months. Many questions exist as to the best strategy to adopt in light of such price uncertainties. We must work closely with our partners, our suppliers and the MMS to be sure we manage this resource well in the light of today's threats and opportunities.

Shell is strongly committed to the future of Deep Water in the Gulf of Mexico. As of this writing, Shell holds about 20% of the Leased Federal Tracts and has major interest in 24 of the 44 discoveries in Deep Water. Shell has about half of the Deep Water production from announced developments to date.

Shell has been and continues to be a leader in Deep Water exploration, development and production. Several examples of this will be discussed.

We see significant opportunity remaining in the Gulf, however the challenges are great. There are new hurdles to be crossed in terms of ultra-deepwater drilling, shallow water-flow problems, environmental concerns and adequately trained staff. We are also concerned about continued low price environment, availability of industry resources, and industry's health, safety and environmental (HS&E) performance. We must tap into the many talents of our staff and look to our strategic partnerships and industry cooperation to help overcome these obstacles and realize the potential of Deep Water.