

Range one of T&T's revival hopes

RANGE Resources Ltd, which is majority-owned by investors from China, would consider itself Trinidad and Tobago's premier independent oil company and thus one of the players on which the country is pinning its hopes for a revival in crude oil production.

That revival is long overdue but was not much in evidence last year, when an average of 78,630 b/d of crude oil and condensate was lifted, much less than the year's peak of 83,883 b/d in January, 2015.

No wonder that veteran oilman and owner of Trinidad Geoscience Consulting Ltd, Wilson Lalla, can go on record as lamenting "the situation in Trinidad with respect to oil production because the impact of that on the revenue of the country is very, very serious—people don't realise how serious it is".

So what can Range, for its own part, do to salvage a situation that Energy and Energy Industries Minister Nicole Olivier has identified as one of the 14 goals she wants to achieve by the time of the next general election in 2020?

Under country manager, Walter Cukavac, it has set out a target of 2,500 b/d by the end of 2017.

Can it meet it?

Well, it depends on how much activity it is prepared to undertake in its four pieces of acreage—Morne Diablo, South Quarry (farm-out-FO—blocks from Petrotrin), Beach Marcellé (incremental production services contract-IPSC—from Petrotrin) and its farm-in to the Guayaguayare Shallow and Deep horizon blocks in Southeast Trinidad.

According to a recent Range Resources statement, the company plans to use its drilling contractor, Land Ocean Energy Services Co to sink five what it describes as "high impact wells" in 2016.

I am unsure what is the difference between a "high impact" and a "low impact" well but if it means that substantial liquid flows will result, then that is all to the good.

The first of the five (Morne Diablo well 25) was actually spud on March 10 by Land Ocean's subsidiary RRDSL and should have been completed within the last few days at a total depth of 4,150 feet.

Range says the well will test deeper horizons in Upper and Middle Cruse sands and explore the potential for out-step drilling.

The Middle Cruse sands, though penetrated by numerous non-Range surrounding wells, have not been fully exploited in that part of the Morne Diablo block but Range has been enthused by the fact that some

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of those wells have produced over 100,000 barrels during their lifetime.

RRDSL is likely to have four drilling rigs in action on Range's acreage throughout 2016.

While primary drilling is, of course, necessary if you want to access new reserves, follow-up enhanced oil recovery (EOR) is equally necessary if a company wants to make the most of any discovery.

Range has been leading the way to some extent in EOR in Trinidad and Tobago, which it regards as "a more cost-efficient way to grow production."

It makes clear that it "does not currently envisage drilling beyond the five planned wells this year—regardless of the oil price."

That statement is significant because, as far as most other upstream companies are concerned, it is the price that will determine their drilling programmes going forward.

One would have thought that, since EOR can be more expensive than primary drilling, the return obtainable on the product would be a major consideration.

Obviously, Range is looking at the matter from the cost, rather than the price, side, presumably in the belief that, if it can keep its costs down, it can make a margin on almost any oil price. (Range currently spends US\$250,000 a month in T&T).

That is an approach that I have

been urging on upstream companies for some time and Range seems to hope it will benefit from "an improvement in overall fiscal terms," which include royalty and other imposts applied to the energy sector in Trinidad and Tobago.

Range can't do much about government levies but it can negotiate with its landlord about the over-riding royalty (ORR) which all Los, FOs and IPSCs pay to Petrotrin.

These are field-specific and progressively reduced at lower oil prices, so they should certainly be down now that the oil price has slid but that should not stop Range and other operators from discussing a new system with Petrotrin.

The point is, that Range, like all other independents, needs as much incentive to produce as possible if local crude production is to get anywhere near the optimum in the medium term, which is about 100,000 b/d, last reached in 2009, when output was 107,169 b/d (which itself was a considerable downgrade from the peak oil year of 1978 (229,589 b/d).

One way of increasing production is to add to the asset base, which maximising output from the existing

base, and Range is active in this area too.

The company says "it is evaluating a number of potential acquisition opportunities," even apparently, outside of Trinidad and Tobago, since it says it is not "limiting its evaluation of opportunities to one jurisdiction".

As far as EOR is concerned, where hopes are being pinned for more production, Range is focussing on both the Beach Marcellé (BM) and Morne Diablo (MD) blocks.

Its BM water flood programme will, it says, be "the largest scale waterflood project to be undertaken in Trinidad and Tobago

in recent times".

Most of its proven reserves of 14.7 million barrels are to be found in BM.

The company expects to retrieve as much as 5.5 million barrels of that amount over an eight-year period.

As for MD, the expectation is 1.15 million of oil recovered through water flooding, out of 6.5 million barrels of original oil in place (OOIP), of which 1.35 million barrels have already been lifted by primary drilling.

David Renwick was awarded the Hummingbird Medal (Gold) in 2008 for the development of energy journalism in Trinidad and Tobago.