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## **U.S. COULD EASE OIL DILEMMA BY DRILLING IN CUBA'S VAST RESERVES, BUT THERE'S A CATCH**

As petropolemics continue to occupy a central position in US presidential campaign rhetoric, Cuba's director of exploration for the state oil company Cubapetroleo (Cupet), Rafael Tenreyro, offers an alternative to the partisan bickering about offshore drilling. If the US were serious about seeking to increase its production, and officials simultaneously wished to avoid the environmental politics of placing platforms in its own coastal waters, the solution would be to drill on the Cuban side of the maritime limits. Cuba says there is plenty there.

Recent Cupet estimates are that there could be as much as 20 billion barrels of oil in its offshore fields. If that is so, Cuba is set to find a place among the world's top 20 producing nations. This is more reserves by half than the US Geological Survey (USGS) has published, but Tenreyro said his estimates are based on better data. He told reporters, "We have more data. I'm almost certain that if it [USGS] asks for all the data we have, their estimate is going to grow considerably."

By "considerably," Tenreyro means the new estimate would nearly equal US reserves, which the Oil & Gas Journal puts at 21 billion barrels. It would nearly double that of Mexico, with 11.7 billion barrels.

The estimates are partly based on comparisons with similar geologic structures, in this case Mexico's enormous Cantarell field in the Bay of Campeche. Despite its size, Cantarell has begun to play out (see [SourceMex, 2008-09-24](#)). Nary a commercial drop has been sipped from the Cuban pool.

Cuba's holdings are the result of treaties signed with Mexico and the US in 1977. In addition to oil, there could be 21 trillion cubic feet of gas in the Cuban properties. Cupet has not estimated the quantity of gas because of the difficulty of doing so. Tenreyro also believes he is using the most modest interpretation of the evidence to come up with the 20 billion barrel figure because "normally in this [maritime] border zone there are almost always one or two superlarge deposits of 12 or 15 billion barrels.

With all the oil the island might have, current production is a very meager 60,000 barrels a day of oil and about 20,000 barrels equivalent of gas, and this is all from onshore wells. This production is primarily from the Varadero field that has been pumped since the 1970s. Varadero is the scene of a pilot project in secondary recovery to boost flagging production. Cuba imports another 93,000 bpd to satisfy domestic needs.

### **Who is there, who is coming, who has gone**

The offshore operations have not yet produced. The area of production is called the Exclusive Economic Zone (EEZ). Spain's Repsol-YPF, Norway's Norsk-Hydro, India's Oil and Natural Gas Corporation (ONGC), Malaysia's Petronas, Venezuela's PDVSA, and PetroVietnam are all there, and it appears that Brazil's Petrobras is on its way. There's still room for newcomers. The EEZ

extends some 112,000 sq km across the southeastern Gulf of Mexico. This expanse was divided into 59 exploration blocks in 1999.

Progress has been slow in the area, however. The high prices that attract prospectors to the area, attract them elsewhere as well. That has made rigs scarce and very expensive. The Repsol consortium has completed test wells and has been set to become first to drill a production hole but has had to postpone the operation because it could not get a rig. A new plan would see drilling begin next year, with actual production into the market in two to three years. That could change if Petrobras, with its wealth of deep-sea experience, comes into the picture soon. Contract negotiations are under way.

The slow march of progress has seen some falling by the wayside. The Canadian company Sherritt gave up, with the announcement that the enterprise "wasn't worth continuing" the exploration phases it had been engaged in. Sherritt had four blocks under contract.

Without explaining the Sherritt pullout, Tenreyro hinted that Petrobras would quickly fill the vacancy. He seemed most nonplussed over the US failure to stake a claim in view of its repeated expressions of anxiety about imported oil. Here is an opportunity to continue to import oil without really importing it. The field is very close to the US mainland, and there would be no need for domestic wrangling over environmental issues.

### **Out in the cold and losing**

There would, Tenreyro conceded, likely be some impassioned rhetoric about lifting the blockade. An end to it would be a necessary precondition. But, in the meantime, the US is losing opportunities. "The US is losing on all sides with oil in Cuba," he said. "It's losing business opportunities for service companies, it's losing opportunities to have access to these resources, to have US oil companies involved in this."

If the US could somehow see its way past the blockade mentality that has prevailed for decades, it "stands to gain much," the Cuban oilman said, in "a market that is growing, that is on the rise," in Cuba, both on- and offshore.

One reason for Tenreyro's enthusiasm for the northern neighbor's participation is the scarcity of equipment. "There's room," he said, "not only for service technology from Europe, but for the United States."

Among many experts, there is little doubt that the oil is there in great quantities. For Jorge Pinon, an energy consultant at the University of Miami, the presence of the Norwegian company is a giveaway. "It gives a signal that the geology of the area must be extremely positive and with a high probability of producing oil in commercial quantities," he said.

The quality of this opinion has led to political infighting aimed at finding a way to fit US companies into the area by some and preventing any such thing by others. Rep. Jeff Flake (R-AZ) and Sen. Larry Craig (R-ID) introduced identical bills to exempt oil from the blockade.

Flake has called the US stance currently defended by his own party in the White House an "archaic policy," which "does not support our energy needs, nor our environmental concerns, nor our economic principles."

But Flake is from Arizona. Sen. Bill Nelson (R-FL) and Rep. Jim Davis (R-FL), both imbued with their state's trademark rabid anti-Cubaism, responded with a counter-bill that would strip US visas from executives of companies that drill the EEZ. They went further in stirring up some environmental hysteria. "The Florida keys and the tourist economy in the state are at risk, not to mention the US\$8 billion that Congress has invested to restore the Everglades," said Sen. Nelson.

[Sources: La Jornada (Mexico), 10/02/08; BBC News, 10/17/08; Reuters, 10/17/08; Spanish news service EFE, 10/20/08; Americas Oil and Gas Insights, 11/01/08]