



## OTC 2016: Guyana's Investment Appeal Gets a Boost from Liza Oil Discovery

by Chee Yew Cheang Rigzone Staff Thursday, May 05, 2016

Guyana's appeal as an oil and gas investment destination has been boosted by the deepwater Liza oil discovery in the Stabroek Block, located around 120 miles offshore, in 2015, Bob Fryklund, chief upstream strategist at consulting firm IHS Energy told participants Thursday at the Offshore Technology Conference (OTC) in Houston.

"Enthusiasm (about Guyana's upstream sector) has moved up because of the discovery of Liza ... (which) is now being sized up", he said, adding that "more wells (are expected) to be drilled this year ... and some probably next year."

Exxon Mobil Corp.'s affiliate, Esso Exploration and Production Guyana Ltd., encountered more than 295 feet of high-quality oil-bearing sandstone reservoirs when drilling the Liza-1 well last May. The Guyana authorities have estimated that **oil reserves** at the well to be around 700 million barrels.

According to Fryklund, the development of Liza oil resources appears an attractive proposition. IHS Energy estimated that the 700 million barrel-oil project can generate an internal rate of return of 20 percent. Capital expenditure for the project is around \$2.80 a barrel, while the finding and development cost as well as operating expenditure are pegged at \$11.57 a barrel and \$11.62 a barrel, respectively.

"For a country that has a GDP (gross domestic product) of \$3 billion, this (project) is a game changer ... this is going to be a source of real income and a source of new life for people of Guyana," he commented.

Fryklund added that the breakeven price for the Guyana project is around \$32 a barrel, lower than similar developments in Brazil and in the Gulf of Mexico, adding that the "dollar per barrel breakeven is very competitive and hence its attractiveness."

In addition, the project could move towards first oil fairly quickly.

"If the fast track time ... comes together in 4 years, that will be better than the average for the other three areas (Brazil, West Africa and the Gulf of Mexico)," Fryklund said.

IHS revealed that first oil in similar projects in West Africa takes around 8 years, while Brazil and the Gulf of Mexico require seven years and five years, respectively.