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Spurred by Incentives, Oil and Gas Production in the Gulf of Mexico Expected to Increase Over the Next Decade

WASHINGTON — New incentives to encourage energy companies to explore and develop difficult-to-reach areas of the Gulf of Mexico will help boost peak oil production in the gulf by 43 percent and natural gas production by 13 percent over the next decade, Assistant Secretary of the Interior for Land and Minerals Management Rebecca Watson announced today.

“Energy companies are responding positively to new incentives offered under the President’s Energy Plan that allow them to tap into pockets of oil and gas in areas of the gulf that otherwise would not be economical to produce,” Watson said at a news conference where she released the Minerals Management Service’s first-ever 10-year energy projections for the gulf. “For American consumers, this will mean less dependence on unstable sources of imported energy.”

Oil production in the Gulf will increase to a record 2 million barrels per day by 2006, compared to the current rate of 1.5 million barrels per day, and could reach 2.25 million barrels a day by 2011, according to MMS projections. The projected increase in oil production will provide enough additional energy to heat 3.5 million new homes.

Since 2001, the administration has continued incentive programs for deep-water areas of the gulf and introduced new incentives for other areas. The most recent incentives announced by Interior Secretary Gale Norton in January, offer developers royalty relief to tap into pockets of natural gas deep under shallow waters in the gulf that otherwise would be too costly and financially risky to attempt.

“The Gulf of Mexico delivers more oil and gas to the U.S. market than any single domestic or foreign source, but many older, easier-to-reach fields have passed their peak. Exploration has shown more gas can be produced at deeper depths under existing shallow water infrastructure; and oil can be produced at tremendous depths—many miles beneath the gulf’s surface,” Watson said. “To help ensure our future energy security, we need to reward developers for the huge risks they take when they explore in deep-water and deep-shelf areas.”

“A rise in deep water oil production is fueling this dramatic increase, and almost 80 percent of Gulf oil production in 2011 is expected to come from this resource rich region,” Watson said.

“We expect our greatest oil production to come from the deep water region of the Gulf; while in the case of natural gas, both the deep-water and the shallow-water deep shelf hold the most promise.”

MMS Gulf of Mexico Regional Director, Chris Oynes said, “We are now in the ninth year of sustained expansion of the deep water frontier in the Gulf of Mexico. It appears likely that it will expand greatly over the next 10 years as more than 100 development projects have begun production and new discoveries that have occurred in the last three years will likely be developed.”

The MMS long-range projection of deep-water projects that industry has indicated they intend to pursue shows oil production in that region will drive the increase in the coming years. After these projects reach their production peaks, MMS believes that the anticipated 2 million barrels of oil per day level can be maintained if operators commit to developing existing discoveries and continue to explore the deep water frontier. In 2003, operators announced 13 discoveries in deep water and have announced another 10 so far this year.

Gas production in the Gulf is expected to show some decline in the short-term as old fields begin to be exhausted and then to show an increase again as new wells in deep-shelf and deep-water areas come into production. Projections show that natural gas production will rebound beginning in 2008 and will reach more than 13 billion cubic feet per day in 2011.

Gulf of Mexico natural gas production is slightly more than 12 billion cubic feet per day. The Minerals Management Service forecasts that total Gulf natural gas production levels will decrease slightly by 2007 to just over 11 billion cubic feet per day. However, MMS projections show that natural gas production will rebound beginning in 2008 and will reach more than 13 billion cubic feet per day in 2011.

This year’s production estimate by MMS is based on a new methodology. In addition to surveying oil and gas companies, MMS analyzed recent deep water discoveries and projected deep-water reserves. This method enabled MMS to forecast Gulf production 10 years into the future instead of the previous standard five-year projection.

“Our quality of life and economic security is dependant on a stable and abundant supply of affordable energy,” Watson said. “By carefully integrating energy and environmental policy we can encourage the production and development of energy sources offshore and on our public lands to help meet those needs while protecting the environment.”

The 10-year production forecast is available in the new MMS publication *Gulf of Mexico Oil and Gas Production Forecast: 2004-2013* (MMS OCS Report 2004-065). Additional information regarding deep-water exploration and development can be obtained at: <http://www.gomr.mms.gov/homepg/offshore/deepwtr.html>.

See attached tables for additional information.

The Minerals Management Service is the federal agency in the U.S. Department of the Interior that manages the nation's oil, natural gas, and other mineral resources on the Outer Continental Shelf in Federal offshore waters. The agency also collects, accounts for, and disburses mineral revenues from Federal and American Indian lands. MMS disbursed more than \$8 billion in FY 2003 and more than \$143 billion since the agency was created in 1982. Nearly \$1 billion from those revenues go into the Land and Water Conservation Fund annually for the acquisition and development of state and Federal park and recreation lands.

MMS Main Website: www.mms.gov

***** MMS: Securing Ocean Energy and Economic Value for America *****

Gulf of Mexico Oil Rates (Thousand Barrels/Day)

Year	Shallow - water Oil	Extrapolated Shallow - water Oil	Deepwater Oil	Deepwater Survey	Extrapolated Deepwater Survey	Industry Announced Discoveries	Undiscovered Resources	Total GOM Oil
1990	720		33					753
1991	746		63					809
1992	734		102					836
1993	746		101					847
1994	748		115					862
1995	795		151					947
1996	814		198					1012
1997	831		297					1129
1998	782		436					1218
1999	740		617					1357
2000	691		743					1434
2001	664		855					1518
2002	600		956					1556
2003	586*		951*					1537*
2004		569		990		3		1562
2005		552		1297		18		1868
2006		536		1421		42	8	2006
2007		520		1409		96	26	2050
2008		504		1251		286	56	2098
2009		489			1110	496	97	2192
2010		475			984	615	145	2219
2011		461			873	714	199	2248
2012		447			774	743	256	2221
2013		434			687	697	313	2132

*Estimate

Gulf of Mexico Gas Rates (Billion Cubic Feet/Day)

Year	Shallow - water Shallow Gas	Extrapolated Shallow - water Shallow Gas	Shallow - water Deep Gas	Extrapolated Shallow - water Deep Gas	Deepwater Gas	Deepwater Survey	Extrapolated Deepwater Survey	Industry Announced Discoveries	Undiscovered Resources	Total GOM Gas
1990	12.97		0.39		0.08					13.45
1991	12.38		0.35		0.16					12.90
1992	12.03		0.48		0.24					12.74
1993	11.94		0.49		0.33					12.76
1994	12.20		0.58		0.44					13.22
1995	11.80		0.80		0.50					13.09
1996	12.24		0.91		0.76					13.91
1997	11.88		1.17		1.05					14.10
1998	11.14		1.14		1.54					13.81
1999	10.51		1.03		2.32					13.86
2000	9.91		0.94		2.74					13.58
2001	9.48		1.13		3.22					13.83
2002	7.41		1.38*		3.65					12.44
2003	6.84*		1.45*		3.90*					12.19*
2004		6.48		1.56		3.85		0.01		11.90
2005		6.13		1.68		4.16		0.07		12.04
2006		5.80		1.81		3.65		0.15	0.06	11.48
2007		5.50		1.94		3.01		0.46	0.20	11.11
2008		5.20		2.09		2.50		1.47	0.41	11.67
2009		4.93		2.25			2.21	2.43	0.69	12.51
2010		4.66		2.42			1.96	2.78	1.03	12.85
2011		4.42		2.60			1.74	3.07	1.40	13.24
2012		4.18		2.80			1.54	3.12	1.82	13.46
2013		3.96		3.01			1.37	2.90	2.24	13.49

* Estimate