

# **“The Role of Deep Gas from the Shelf”**

By

**Chris C. Oynes**

Regional Director  
Minerals Management Service  
Gulf of Mexico OCS Region

**Back to the Shelf**

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**What Role Could it Play?**

**What is the need?**

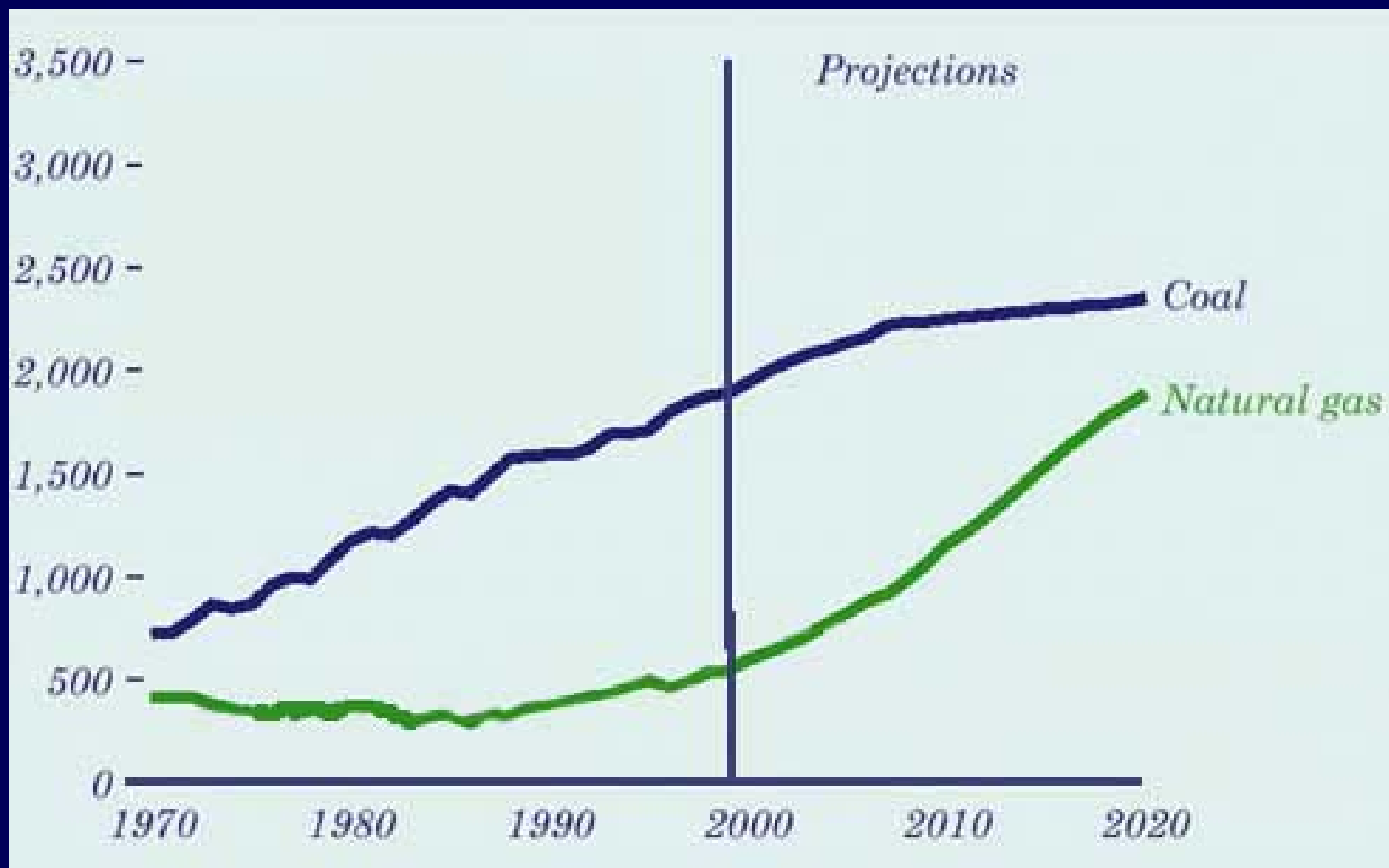
# EIA Projection

## Energy Consumption by Fuel, 1970-2020 (quadrillion Btu)

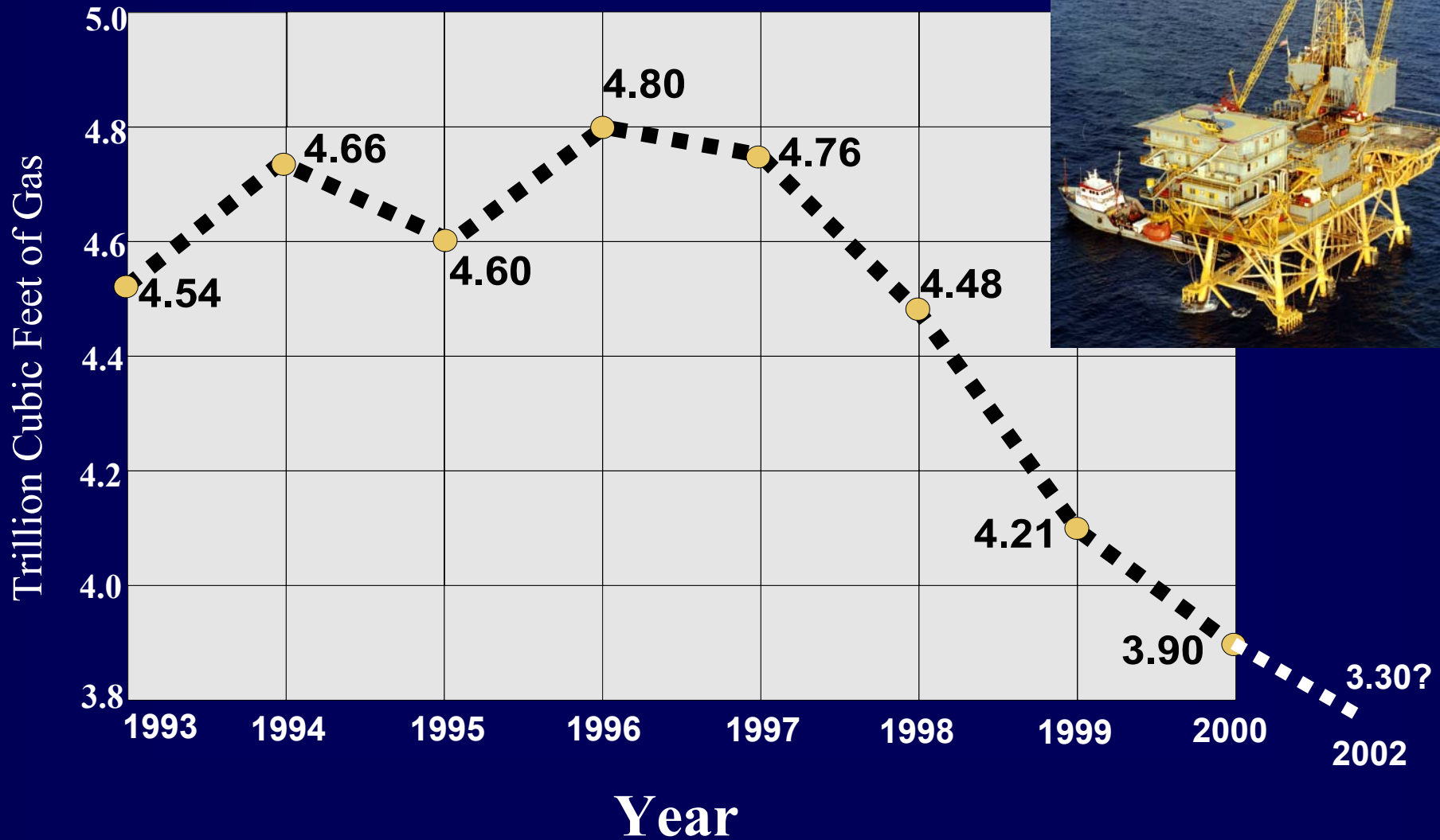


# EIA Projection

## Electricity Generation by Fuel, 1970-2020 (billion kilowatthours)



# GOM Shallow Water Gas Production



Shallow water gas production  
is in a steep slide!

Yet 80 percent of Gulf gas comes  
from shallow water!

Policy implications are important.

**What Role Could it Play?**

**What is the potential?**

# The Potential is Attractive but largely Unknown

- Relative few wells have characterized its potential. Only 5 percent of wells have gone below 15,000 feet.
- MMS and companies see many untested large structural closures.
- Imaging is poor.



# Potential (cont)

- Completions could have high flow rates.
- ST 204 (El Paso) – Peaked at 350 mmcfd.
- MMS resource estimate is 5 to 20 tcf.

# What Role Could it Play?

## Incentives

- MMS has offered the first 20 Bcf of gas production royalty free on new leases.
- Several companies have acquired new shelf leases.
- Majors have come back on the shelf.
- MMS is considering a rulemaking to apply the royalty relief to existing leases.

# Deep Shelf Drilling continues at a Modest pace.



## Deep Shelf Wells Started

1995	1996	1997	1998	1999	2000	2001	2002
56	62	68	57	59	83	67	54

# Going Below 25,000 Feet:

## *Another New Twist*

### Ultradeep Play

- Larger, more attractive targets.
- HPHT
- Inadequate primary terms?
  - Imaging difficulty
  - Special order steel
- More discussion needed

# Conclusion

- Deep shelf could play a role in near term gas supply
- May reverse decline but not cause a major increase in gas production.
- Ultra deep holds additional promise.
- Can be an important addition to energy policy.