



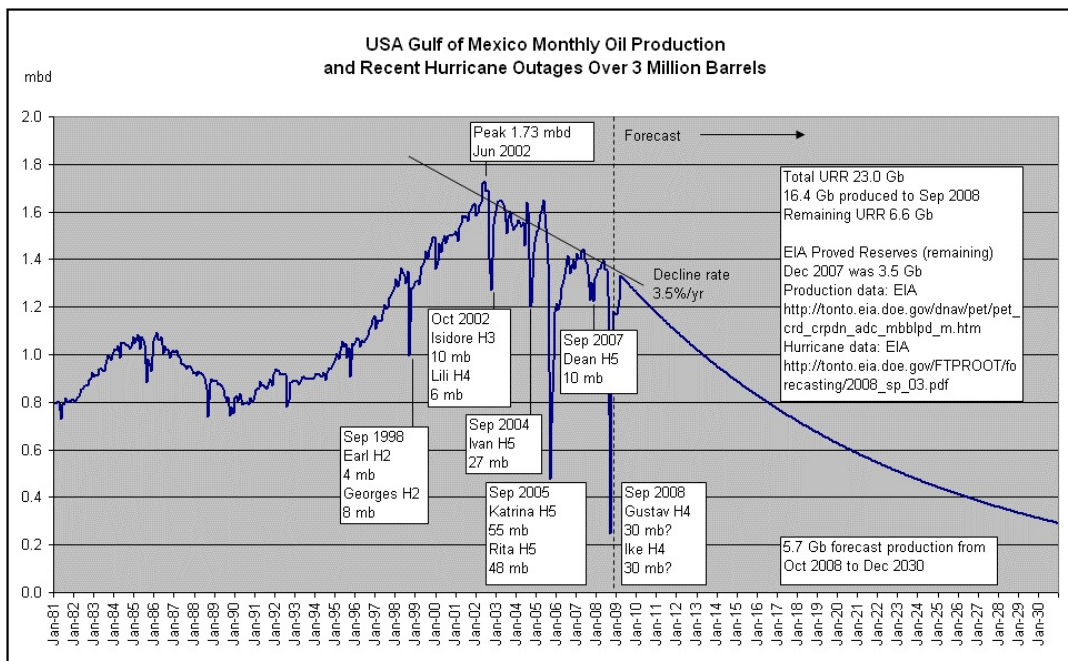
## USA Gulf of Mexico Oil Production Forecast Update

Posted by [ace](#) on February 9, 2009 - 4:49pm

Topic: [Supply/Production](#)

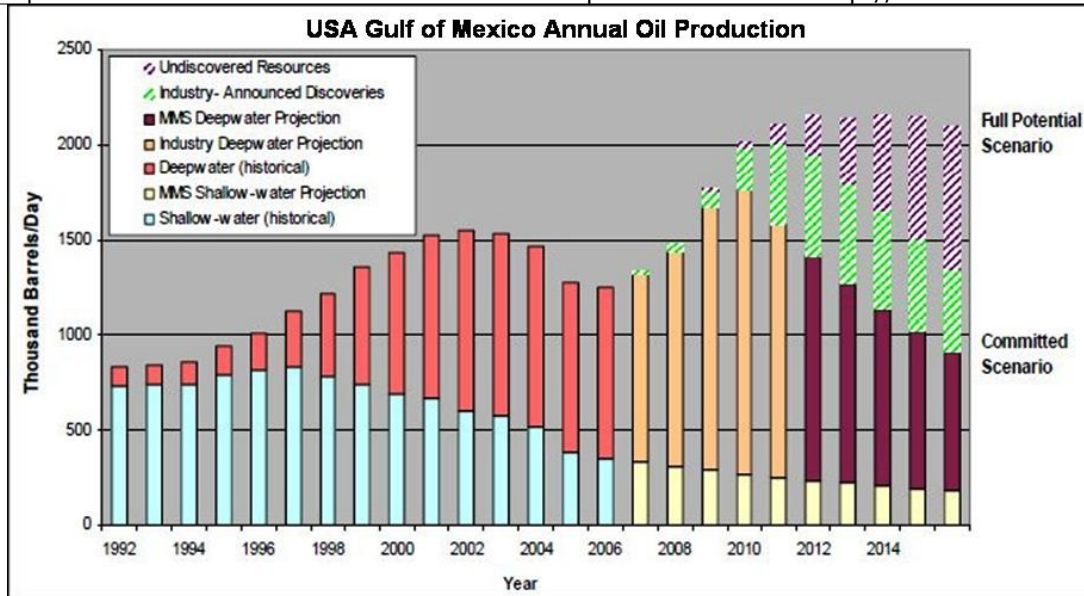
Tags: [deepwater](#), [gulf of mexico](#), [oil production](#), [original](#) [[list all tags](#)]

Here's an update of USA Gulf of Mexico (GoM) oil production using the most recent EIA data. GoM production peaked in June 2002 at 1.73 mbd and is forecast to continue declining.



*click to enlarge*

For comparison [this 2007 forecast](#) from the US Dept of the Interior, Minerals Management Service, showed GoM oil production increasing from 2006. Unfortunately, the opposite occurred.



*click to enlarge*

Although the USA GoM is only producing about 1.3 mbd, it remains the region of the [biggest future capacity additions](#) for the entire USA. The 250 kbd capacity Thunder Horse project started oil production in mid 2008 and BP claims that it is producing [200 kbd now](#), but it has not stopped the overall declining trend in GoM production. Blind Faith and Neptune also [started in 2008](#), adding almost 100 kbd capacity, but they have not helped to reverse the declining GoM production trend.

[2009 GoM projects](#) include Shenzi, 85 kbd; Tahiti, 125 kbd; and Thunder Hawk, 60 kbd. Will these projects combined with the 2008 projects reverse the declining GoM production trend?

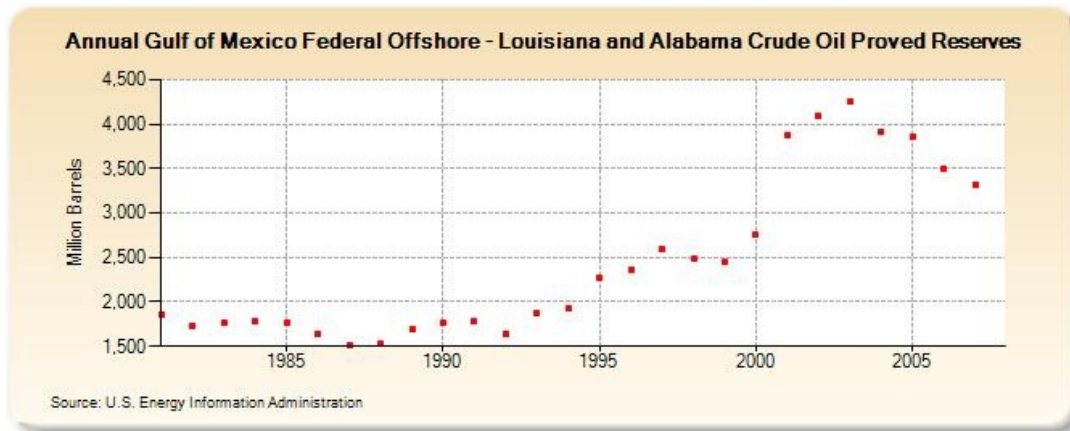
Deepwater GoM projects face numerous production constraints. These include hurricanes, planned and unplanned maintenance, and production ramp up delays due to engineering challenges. In addition, current low oil prices and credit constraints may delay some projects. Production decline rates for mature GoM fields are about 20% per year [according to the IEA](#).

If it's assumed that a 20% decline rate is applied to 1 mbd of GoM production, then additional production additions of 200 kbd are required every year just to keep GoM production constant. 2008 total GoM *capacity additions* might be as high as [360 kbd](#). However, 2008 *production additions* are probably closer to 250 kbd, on an annual basis. Similarly, 2009 GoM capacity additions might be [270 kbd](#) of which about 200 kbd will probably be production additions for 2009.

There is some hope that recent GoM discoveries could increase GoM production. In 2006, Chevron made a large oil discovery at the Jack well in the lower tertiary trend thought to hold as much as [15 billion barrels](#). This month, Chevron announced another oil discovery also in the lower tertiary trend, called [Buckskin](#). Anadarko announced two GoM discoveries this month, [Shenandoah and Heidelberg](#). Unfortunately, it appears unlikely that these discoveries will reverse the declining production trend as it could be at least five years until first oil is produced from these discoveries. For example, Chevron's CEO Dave O'Reilly recently stated that he hoped production from Jack would start [before 2015](#).

Since 2003, oil discoveries have not been sufficient to replace reserves lost to production. About

[95%](#) of GoM crude oil proved reserves are located in Federal Offshore Louisiana and Alabama. These reserves have been in a declining trend from the peak of 4.25 Gb in 2003 down to 3.32 Gb in 2007 shown below in [the chart from the EIA](#).



*click to enlarge*

It is possible that GoM production will stay constant over the short term from 2008 to 2010. However, long term GoM production will probably continue its decline from the 2002 peak because sanctioned capacity additions [beyond 2010](#) are less than 100 kbd per year which are not enough to offset production declines from existing fields. This indicates that USA crude and condensate (C&C) production will also continue its long term decline from its [peak](#) in 1970. [According to the EIA](#), USA C&C production in 2004 was 5.42 mbd; 2005, 5.18 mbd; 2006, 5.10 mbd; 2007, 5.06 mbd; and 2008 YTD November, 4.94 mbd.



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