

## **Brazil oil find could hold 2bn barrels**

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Brazil's prospects of becoming a leading oil producer increased on Wednesday when it emerged that a giant offshore field could be double the size of BP's discovery last week in the Gulf of Mexico.

Petrobras, the national oil company, reported that the Guar field contained the equivalent of 1.1bn to 2bn barrels of recoverable oil and gas. BP's Tiber field, which BP called a "giant" discovery last week, is unofficially estimated to contain 500m-1bn recoverable barrels.

The news from Petrobras pushed up the share prices of BG and Repsol, the UK and Spanish oil companies that are partners in developing Guar. The field could enter production as soon as 2012.

To reach Guar's oil the developers must drill 2km under the sea and through several more kilometres of rock and semi-liquid salt. The oil strikes at Guar and Tiber show the technological complexities and high costs in exploiting this century's new oil bonanzas. The Tiber well, the deepest drilled so far, is 9km beneath the seabed.

The higher-than-expected estimate of Guar's size has raised hopes about the prospects for nearby offshore fields in Brazil. Petrobras has not released reserves estimates for several of them.

The best indication of their potential come from the Tupi and Lara fields, part of the crescent of fields including Guar, which together hold an estimated 8bn-12bn barrels of recoverable oil, according to Petrobras, making them among the biggest oil strikes of recent decades.

BG is a joint venture partner at Tupi. The company's shares rose 4 per cent to 10.95 (\$18.13).

Ten days ago, Braslia proposed new regulations for the region where Guar is located.

These introduce production-sharing agreements alongside the existing concessions system, with the aim of securing ownership over these potentially vast reserves.

The proposed changes have brought claims from the oil industry that they introduce unnecessary uncertainty and will deter investment. The region is estimated to hold 50bn to 100bn or more barrels of oil and gas equivalent, enough to make Brazil a major oil exporting nation on the scale of its neighbour Venezuela.

Petrobras holds 45 per cent of Guar and is field operator. BG's stake is 30 per cent and Repsol's 25 per cent. Guar was discovered in June 2008.

**Financial Times, London, Sept. 9<sup>th</sup> 2009, Companies, online.**