

#1 GET PRINT & ONLINE
FOR \$2.69 A WEEK

THE WALL STREET JOURNAL.

SUBSCRIBE NOW >>>

know more

THE WALL STREET JOURNAL.

WSJ.com

NOVEMBER 11, 2009, 11:00 AM ET

Shell Gets Into the Other South American Offshore Oil Race

Ever since oil was discovered offshore Ghana in 2007, the world's oil explorers have been eyeing Guyana. Non-geologists might find that a bit of a leap.

But for Big Oil, there's a big connection. Africa and South America were once joined, but were separated tens of millions of years ago by continental shift. So many believe the oil-bearing structures in Ghana's huge Jubilee field could be replicated on the other side of the Atlantic Ocean, in places like Guyana, Suriname and French Guiana.



Tullow

New frontier, same geology

One company that has bet big [on the theory](#) is Tullow Oil PLC, a plucky UK-based explorer that is one of the partners in Jubilee.

Tullow says it has identified "numerous" Jubilee-type leads offshore French Guiana. It began seismic testing over 3,000 square kilometers of its permit area in September and hopes to drill its first exploration well there by the end of next year. It also has interests in Suriname and Guyana.

Now the big guys are taking the trail blazed by Tullow. Royal Dutch Shell plc [announced Wednesday](#) it had acquired a 33% interest in Tullow's Maritime permit in

French Guiana and has an option to buy 12% more later. The purchase, Shell said, "adds quality acreage to our deep water portfolio in the Americas."

Shell is not the first supermajor to dip its toes in the waters of northern South America. Exxon Mobil Corp. has exploration rights in the huge Stabroek block offshore Guyana, though it's tight-lipped about what it's found there. Smaller companies like Canadian independent CGX Energy are also present there.

But the area remains one of the most under-explored in the world. There's some data from the 1970s, when Elf Aquitaine and Exxon drilled two dry wells. But from then on it was virtually ignored by the majors. That's changed with the discovery of Jubilee.

The idea that areas on either side of oceans could have the same oil-bearing structures is now well-established. After billions of barrels of oil were found in the "pre-salt" areas offshore Brazil, many began to wonder whether the ultra-deep waters off the coast of Angola, directly across the Atlantic, might bring forth similar treasures.

Meanwhile, for Shell, the Tullow deal makes perfect sense. Like all the majors, it's struggled to add reserves and increase production as it's shut out from the more traditional oil-producing areas.

French Guiana might be a leap in the dark– but one that could yield rich returns for a company eager to beef up its exploration portfolio.

Copyright 2008 Dow Jones & Company, Inc. All Rights Reserved

This copy is for your personal, non-commercial use only. Distribution and use of this material are governed by our [Subscriber Agreement](#) and by copyright law. For non-personal use or to order multiple copies, please contact Dow Jones Reprints at 1-800-843-0008 or visit www.djreprints.com