

Brazil Reopens Oil Wells Abandoned Due to Low Production

Contributed by Nielmar de Oliveira
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The situation prevailing in the petroleum sector, with demand in frank expansion and petroleum prices oscillating between US\$ 60 and US\$ 70 a barrel, may contribute to the emergence of a new segment in this sector in Brazil: that of small and medium-sized producers.

This is the assessment made by the director-general of the National Petroleum Agency (ANP), Haroldo Lima. He also believes that the crisis in Bolivia may favor the appearance of this segment.

These are the motives that lead the ANP to predict that the second round of auctions of Inactive Areas will be as successful as the first, when 16 of the 17 areas that were offered were knocked down by private enterprise.

"We are hopeful that small and medium-sized Brazilian entrepreneurs will wake up to this new activity, since petroleum prices are very high on foreign markets," Lima said in an interview with the Agência Brasil.

"As a result, even a small quantity of petroleum production can make a difference to small and medium-sized entrepreneurs."

In the second round of auctions, scheduled to be held today, June 29, the ANP is offering a total of around 300 square kilometers of continental areas in the mature basins of Potiguar, state of Rio Grande do Norte and Espírito Santo state and in the basin of Barreirinhas, in Maranhão state, which is practically untapped.

"The advantage of the areas that are being offered is that whoever wins the bloc will not have to drill wells, which is expensive. The wells and the petroleum are there, and all that is needed is to revitalize the field.

"It's a type of production that doesn't interest large producers but may turn out to be attractive to small and medium-sized ones due to the price of oil on the foreign market," Lima said.

The ANP director-general observed that the agency held a round of bidding in these areas for the first time in 2005. At the time 17 areas were offered in Bahia and Sergipe, all of them with existing wells that produced in the past but in which production was small. Due to the low return on investment, they were closed by Petrobras and returned to the ANP.

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