

Belize Offers Hope To Struggling Oil Industry In Central America

A small, Belize-based oil and gas exploration company, Belize Natural Energy Ltd. (BNE), is raising eyebrows in the Caribbean world as it builds on its drilling success onshore Belize.

A nation known for its lush jungles and beautiful diving reefs, Belize is now being viewed as a possible producer of hydrocarbons, something to which only Guatemala and Cuba can lay claim in the western Caribbean. Operations in February were continuing on Block 5, where BNE was perforating the third well in its drilling program in two zones ahead of testing. The first two discoveries, Mike Usher 1 and 2, are each producing 500 barrels of oil a day (with some associated gas that is flared).

Previous drilling on the Corozal Basin block was conducted by Gulf in 1956 and by Central Resources in 1990 and 2001, with all wells encountering oil shows. BNE was granted Block 5 in July 2004. A two-phase 2-D seismic program totaling 200 kilometers was completed in February 2005. Drilling commenced last June on the Mike Usher 1 new field wildcat. Multiple zones were tested after reaching a total depth of 1,220 meters, resulting in a primary flow of 500 bbl/d of 38-degree API oil from a single zone in the Yalbac.

A second well, the Mike Usher 2, immediately followed the discovery well and was also drilled to 1,220 meters. Test results mirrored those of the discovery well in both flow rates and quality. Following completion of its third well in the block, which was being perforated in two zones, the company is planning a fourth. All the wells in BNE's Block 5 drilling program are being drilled using the Marriott Number 5 rig.

The 1,000 bbl/d from the Mike Usher 1 and 2 wells is being trucked to the Big Creek port, where it is transferred to a barge and transported to a Texas port for refining. The major downside to this operation is that while the barge is transporting the crude to Texas, the wells are shut in. Several options are being considered to transport the crude, especially with the potential of additional production coming on line. Two options under study are multiple barges, and the possibility of transporting the crude to deeper waters off the coast where it can be transferred to large tankers. BNE initially attempted to negotiate a deal to transport the crude north into Guatemala where it could be refined at Perenco's facilities. However, a deal could not be reached.

The fate of hydrocarbon production for Belize is not solely in the hands of BNE though. To the north of Block 5, a subsidiary of Grynberg Petroleum-RSM Production-is exploring in the area known as Blocks A and B. The Denver-based company is preparing to launch a geochemical survey, which will be followed by a 2-D seismic program.

Additionally, West Bay Belize has been granted an extension to its Block 1, which is onshore in the Corozal Basin. West Bay will continue to evaluate seismic and expects to drill in the block during the two-year exploration period. After securing a partner, U.S. Capital Energy is planning a 325-kilometer 2-D

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seismic acquisition program in Block 19 this year. A farm-out to PetroLatina for a 50 percent interest and operatorship of the block fell through, causing U.S. Capital to seek a partner once again.

Offshore, Island Oil is anxiously anticipating a multiwell drilling program on its Block 12. The company plans to use the Chinese Codesec rig, but the rig was undergoing refitting, which led to delays. In June 2005, Lagoon Resources Ltd. signed a seismic option for an offshore tract in the Stann Creek district. The option area covers 4,545 square kilometers and includes parts of Blocks 6, 7, 8 10, 13 and 15. The two-year option involves reprocessing and re-analyzing vintage seismic. If prospects are determined from the seismic, then a production sharing agreement can be signed following the two-year seismic option.

The energy situation is certainly looking bright for the small, English-speaking nation on the Yucatan Peninsula. With BNE's continued success and aggressive exploration activity planned for the next couple of years by the other license holders, Belize can likely anticipate further discoveries and field development. This comes at a time when there is a ready market to the north, and oil and gas prices are near all-time highs. This is welcome news for not only Belize in particular, but for the Caribbean and Central America region in general. □



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