IHS CERA: Potential Oil and Gas Production from Offshore U.S. Atlantic Coast

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First Production from Newly Opened Offshore Atlantic Continental Shelf Areas Could Occur as Early as Seven Years

CAMBRIDGE, Mass.--(BUSINESS WIRE)--The offshore U.S. Atlantic continental shelf could contain 3.8 billion barrels of oil and 137 trillion cubic feet (tcf) of natural gas. First production could be as early as seven to 10 years in the area that the Obama Administration announced will be open to exploration, but any current estimates are still very preliminary, according to IHS Cambridge Energy Research Associates (IHS CERA).

Hydrocarbon potential of the Offshore Atlantic Continental Shelf has been established by significant gas production offshore Nova Scotia and from flowing gas tests in five wells that were drilled some 30 years ago in the Baltimore Canyon Trough about 100 miles southeast of Atlantic City. The IHS database reports that 35 wells were drilled in the Baltimore Canyon Trough from 1977 through 1984.

According to the IHS database, five of these wells in the Hudson Canyon and Wilmington Canyon offshore areas of the Baltimore Canyon Trough reported tests of natural gas ranging from 5,500 to 16,000 million cubic feet (mmcf) per day from Upper Jurassic and Lower Cretaceous sandstones at depths ranging from 12,000 ft to 15,000 ft. One well also tested about 630 barrels of oil per day from Upper Cretaceous sandstone. These hydrocarbon tests established the presence of oil and gas but the wells were determined to be non-commercial during a period of low natural gas prices and were abandoned. During the same period of time 10 exploratory wells were drilled in the Georges Bank area offshore New England and seven were drilled offshore Georgia and northeast Florida. The technology for exploration and production has advanced dramatically in the years since those exploratory wells were drilled, greatly expanding capabilities, but no assessment of the resource potential has been made in the Atlantic margin in the decades since.

The Baltimore Canyon Trough was formed during the rifting between North America and Africa that commenced during the Middle to Late Triassic. "This kind of geologic setting has yielded substantial—and increasing—volumes of hydrocarbons in the U.S. Gulf of Mexico and also in the south Atlantic offshore Brazil," said Pete Stark, Vice President of IHS CERA. "The evidence from three decades ago indicates the offshore U.S. Atlantic Continental Shelf is primarily gas prone but it is certainly possible that deeper drilling may confirm the presence of untested sub-salt formations that could boost the oil and gas potential substantially—as it is now doing off the coast of Brazil."

Based on historic data the U.S. Minerals Management Service has estimated that the Offshore Atlantic Continental Shelf contains 37 trillion cubic feet (Tcf) of natural gas and 3.8 billion barrels of oil. "In view of the upside potential of other Atlantic margin rift basins this estimate may be conservative," said Stark. "At this point, though, any resource estimate for the intriguing U.S. Atlantic Continental Shelf is very preliminary. A firmer estimate will not be available until the critical modern geophysical analyses and test results from new exploratory wells are known."

The areas that have been designated for oil and gas exploration are south of the Hudson Canyon and Wilmington Canyon blocks where the gas tests were reported. Therefore, these new open areas should be regarded as frontier oil and gas provinces that will require substantial investment in modern geophysical and exploration analyses to identify hydrocarbon play drillable prospects. Thus, with favorable results it could take seven to 10 years to realize first production of oil or gas. If the leasing were in the blocks where there had already been exploration, the lead time would be closer to five years.

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Contact:
IHS
Jeff Marn, 202-463-8213
or
IHS Press Desk
+1 303-305-8021