



PETROLEUM CORPORATION OF JAMAICA (PCJ)

CARIBBEAN TREASURE TROVE





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The Petroleum Corporation of Jamaica (PCJ) exists to make this idyllic island nation self sufficient in energy: to this end it is engaging other oil producing governments and offshore exploration companies to develop the oilfields that surround it

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Jamaica is not lacking in natural resources – for example it is a major exporter of bauxite, the raw material for aluminium – but it is not currently known as an oil producer. In fact it has to import its oil at a rate estimated at 80,000 barrels a day if oil based products like asphalt, are included. Oil to fuel cars boats and aircraft is imported from Mexico, Venezuela and other neighbouring Caribbean countries.

Should oil be found in significant quantities in Jamaican waters – something that appears almost certainly just a matter of time – there could hardly be a more attractive location in the world – the Caribbean is eminently accessible to North American markets and international trade routes; the government is encouraging, keen to negotiate terms that are attractive to international oil & gas exploration and production companies; the legal system is democratic and founded on British law; and of course Jamaica is English-speaking. Add to that the fact that it controls a major potential hydrocarbon reserve that has seen very little exploration over the last quarter-century and it begins to look like the next big thing.

The Petroleum Corporation of Jamaica was set up in 1975 to find ways of reducing Jamaica’s dependence on imported energy. It is a statutory corporation mandated to take part in every stage of hydrocarbon trade, from exploration to retail. Specifically the government gave it the exclusive right to manage import

contracts, explore for oil and develop Jamaica’s petroleum resources in the national interest. In 1995 PCJ’s remit was extended to develop indigenous renewable energy resources. It has established a large biodiesel project with the aim of eventually producing 16.5 million gallons of biodiesel from crops that grow well on nonproductive or marginal land. It also built a wind farm at Wigton near Manchester, Jamaica in 2004. This facility saved the country \$5.3 million in 2011/12, proving that renewables could be an important contributor to cutting oil imports, and more wind capacity is planned

from both PCJ’s facility and private generation companies investing into the market.

However the holy grail for the PCJ lies offshore in the exploration blocks lying to the south of the island and selling this potential to the world’s exploration majors is the work of Brian Richardson, PCJ’s Oil & Gas Exploration

Manager. Though a good deal of due diligence needs to be done, a large amount of money spent on drilling and further geophysical and geological survey work in the waters surrounding the island. The work done in the 1970s indicated that there were reserves of hydrocarbons, he says, but early surveying just scratched the surface. It did however produce some very encouraging results: of eleven exploratory holes that were drilled onshore and offshore only one failed to show hydrocarbons present. “In the last five years or so that work has been updated to refine our knowledge of where these reserves lie. In

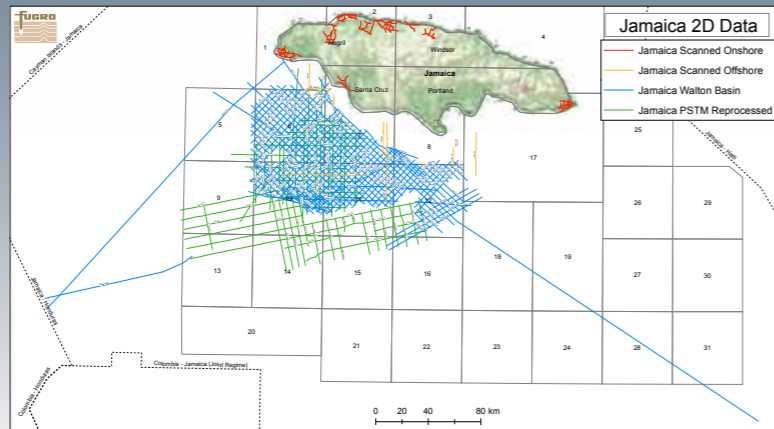
**80,000
BPD**

.....
**Gross oil-based imports
to Jamaica**



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particular, work has been done in the south-east section of the Jamaica oilfield which indicated that there are huge sedimentary structures in that sector.”

A preliminary bid round in 2004 resulted in two junior exploration companies coming on board, whose involvement effectively cut the perceived risk facing investors to an acceptable level. “We are now confident that over the next two to three years we will be able to convince one of the majors to take an interest in Jamaica and commit to a drilling programme.” The first step is to dispose of the rights licences on the available blocks in and around the Walton, concluding

production sharing contracts (PSCs), government instruments that allow an oil company to prospect, subsequent profits being shared between Jamaica and the company.

Richardson is on a mission to market this untapped reserve. Last November PCJ’s Oil & Gas department was at PETEX in London: in February 2013 it was the turn of North American Prospect Expo (NAPE), held twice yearly at Houston, and in March the focus will shift back to London where the APPEX conference is taking place. “The take away is that there is increasing interest in Jamaica’s offshore, and in 12 months we expect to see that interest translating into activity on the ground.”

**52,000
KM²**

Size of the Joint Regime Area

Once people understand the structure, then interest will accelerate, he believes. His department's aggressive marketing strategy includes reigniting old leads that have gone dead because the picture has changed rapidly. Recently he has taken calls from 25 organisations or companies that had been unaware of the opportunity. "I have hanging in my office a picture of a rig that was installed offshore in 1984 – I am committed to seeing a new rig out there three to five years from now!"

If you look at Jamaica on the map, it is surrounded by successful oil economies. Nicaragua, Venezuela, Colombia and Honduras are cases in point. Jamaica buys energy at preferential rates under various local agreements, and a Joint Regime Area between Jamaica and Colombia, situated south of the Pedro Bank was established in 1993. In 2008, an agreement was signed between the two countries for the conduct of surveys relating to the hydrocarbon potential of the 52,000 square kilometre area. PCJ is actively looking to establish government-to-government level agreements with those neighbours with which it shares the Caribbean Basin. "We want to build on their strengths and also provide our data into the melting plot to understand the Caribbean



basin hydrocarbon scene. Every piece we can place in the Caribbean jigsaw puzzle helps to reveal the whole picture!"

It is also benchmarking a country that has highly relevant experience though it doesn't share the same waters. Uruguay, like Jamaica had a 20-year hiatus in its exploration programme and followed a similar marketing trajectory in 2008 before hitting success in awarding exploration

blocks. The Uruguayan government recently signed offshore exploration and production deals with British oil firms BG Group and BP, Ireland's Tullow Oil and France's Total. The companies concluded 30-year concession contracts in April last year for eight oil blocks - three each for BG and BP and one each for Tullow and Total. Between them they have committed to investing a total of roughly \$1.56 billion. "The Uruguayans are helping us a lot with their geophysical and geological knowledge and theirs is a scenario that we would dearly like to emulate here!"

Any oil company wanting a head start in a relatively unexploited region that nevertheless is within easy reach of the infrastructure and skills the industry needs, not to mention the prime global markets of the Americas, would

be well advised to take an early position in Jamaica. Brian Richardson points out that indicated oil reserves range between 500 million and a billion barrels, with anywhere between two and four trillion cubic feet of gas. More detailed geological and geophysical work will be carried out over the coming twelve months, followed by drilling a couple of years down the line. At the end of this process lies a commercial bonanza for the oil companies, and the realisation of PCJ's raison d'être – to make Jamaica an oil exporter rather than an importer. **BE**

“WORK HAS BEEN DONE IN THE SOUTH-EAST SECTION OF THE JAMAICA OILFIELD WHICH INDICATED THAT THERE ARE HUGE SEDIMENTARY STRUCTURES IN THAT SECTOR”

For more information about Petroleum Corporation of Jamaica (PCJ) visit: www.pcj.com



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