

ALL-TIME LOW FOR DISCOVERED RESOURCES IN 2017: AROUND 7 BILLION BARRELS OF OIL EQUIVALENT WAS DISCOVERED

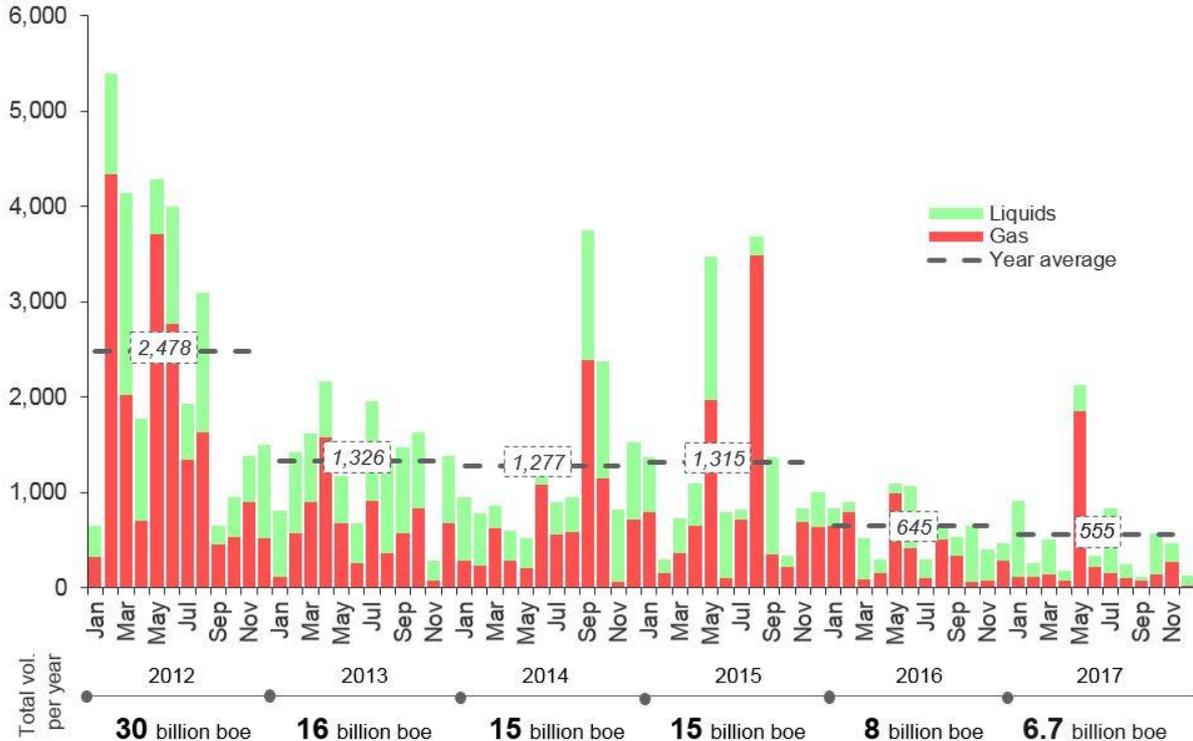
December 21, 2017

Rystad Energy concluded this week that 2017 was yet another record low year for discovered conventional volumes globally. Less than seven billion barrels of oil equivalent has been discovered YTD.

“We haven’t seen anything like this since the 1940s,” says Sonia Mladá Passos, Senior Analyst at Rystad Energy. “The discovered volumes averaged at ~550 million barrels of oil equivalent per month. The most worrisome is the fact that the reserve replacement ratio* in the current year reached only 11% (for oil and gas combined) - compared to over 50% in 2012.” According to Rystad’s analysis, 2006 was the last year when reserve replacement ratio reached 100%; largely thanks to the giant onshore gas field Galkynysh in Turkmenistan.

Not only did the total volume of discovered resources decrease – so did the resources per discovered field. An average offshore discovery in 2017 held ~100 million barrels of oil equivalent, compared to 150 million boe in 2012. “Low resources per discovered field can influence its commerciality. Under our current base case price scenario, we estimate that over 1 billion boe discovered during 2017 might never be developed”, says Passos.

Global conventional discoveries** [Million boe]



Source: Rystad Energy UCube and Rystad Energy research and analysis

The top three countries in terms of discovered volumes in 2017 were Senegal, Mexico and Guyana.

In Senegal, Kosmos Energy continued with its exploration success story by discovering the Yakaar gas field. Coupled with the 2016 discovery of Teranga, this could represent a large LNG development in the future.

2017 was also a promising year for Mexico. Zama and Ixachi discoveries, together with some other smaller finds, added around 1 billion boe of recoverable resources for the country. Zama was of particular importance for Mexico. It was the first discovery in the country by a private company – Talos Energy – in the past 80 years.

In Guyana, ExxonMobil achieved a new milestone by adding another 1 billion boe of recoverable resources through its 2017 large discoveries like Payara, Turbot and Snoek.

“While there have been some notable successes this year, we have to face the fact that the low discovered volumes on global level represent a serious threat to the supply levels some ten years down the road,” says Passos. “Global exploration expenditures have decreased year-over-year for three consecutive years now, falling by over 60% from 2014 to 2017. We need to see a turnaround in this trend if a significant supply deficit is to be avoided in the future.”

Rystad Energy does not expect the final*** volume of 2017 discovered resources to be significantly impacted by the results of exploration wells being drilled currently. The results of the ultra-deepwater well Lamantin in Mauritania, operated by Kosmos Energy, were reported on December 12th. Even though large prospective resources were expected from the well, the results were disappointing and the well has been plugged and abandoned. Another high-impact well is currently being drilled offshore Nigeria – Oyo Northwest – operated by Erin Energy. Rystad Energy expects the well results to be announced at the beginning of 2018. The most recent pre-drill estimate indicates resources of over 1 billion boe, which would mean a very positive start for the year.

**The reserve replacement ratio measures the amount of discovered resources during the year relative to the amount of production of hydrocarbons in the same year globally. It disregards the production start-up date for the discoveries.*

***The figures in the chart include also the results of appraisal wells on discovered fields. In case of an appraisal well, the additional resources are joined with the original discovered volumes and backdated to the date when the discovery was originally made.*

Note, that Rystad Energy applies a risking factor to the resources of discoveries that have not yet been flow-tested. Discoveries like Horseshoe in Alaska or Tsentralno-Olginskaya in the Laptev Sea were both reported to hold substantial resources. Rystad Energy risked the reported volumes for the time being, while awaiting the flow test results.

****The figure will be definite after the release of 2017 annual reports – from our experience, some operators only disclose the information about their discoveries in the annual reports. However, this is unlikely to have a notable effect on the final figure; it might increase by ~10% at the most.*

###

Contacts

David White, Marketing Manager

Phone: +47 24 00 42 00

david.white@rystadenergy.com

Sonia Mladá Passos, Senior Analyst

Phone: +47 24 00 42 00

sonia.passos@rystadenergy.com

About Rystad Energy

Rystad Energy is an independent oil and gas consulting services and business intelligence data firm offering global databases, strategy consulting and research products.

Rystad Energy's headquarters are located in Oslo, Norway. Further presence has been established in Norway (Stavanger), the UK (London), USA (New York & Houston), Russia (Moscow), Brazil (Rio de Janeiro), as well as Singapore and Dubai.