Shell to redevelop Penguins field

The Penguins redevelopment has a go-forward breakeven price below $40/b and will produce 45,000 boe/d at peak

Shell has announced a final investment decision (FID) on the redevelopment of the Penguins oil and gas field in the UK North Sea. A new floating production, storage and offloading (FPSO) vessel will be constructed, the first new manned installation for Shell in the northern North Sea in almost 30 years. Discovered in 1974, the field was first developed in 2002 and is a joint venture between Shell (50% and operator) and ExxonMobil (50%).

'The redevelopment is an attractive opportunity with a competitive go-forward breakeven price below $40/b,' reports Shell. The FPSO is expected to have a peak production in the region of 45,000 boe/d.

The Penguins field currently processes oil and gas using four existing drill centres tied back to the Brent Charlie platform. The redevelopment of the field, required when Brent Charlie ceases production, will see an additional eight wells drilled, which will be tied back to the new FPSO vessel.

A joint venture-owned/Shell-operated Sevan 400 FPSO has been selected as the development option for the field. Oil will be transported via tanker to refineries and gas will be transported via the FLAGS pipeline to the St Fergus gas terminal in north-east Scotland.

Meanwhile, Shell completed the $150mn sale of the first phase of its Hong Kong and Macau LPG marketing business to DCC LPG at the close of December 2017. The company will continue to operate the LPG plant in Hong Kong, which is part of the second phase of the transaction and is subject to conditions including regulatory approvals. As part of the sale, Shell branded LPG products will continue to be available in Hong Kong and Macau via a long-term brand license agreement with DCC LPG.

Shell also recently announced that the agreement it signed with Dansk Olieselskab (DO) in September 2016 regarding the sale of Dansk Shell, which consists of the Fredericia refinery and local trading and supply activities, has terminated and the sale will not complete. The company also noted that the Group's $30bn divestment programme 'remains on track to complete in 2018, with deals worth $23bn completed, $2bn announced and $5bn in advanced progress.'

Artist's impression of new Penguins FPSO *Photo: Shell*

IN BRIEF

The Trump administration is seeking to reopen offshore Arctic areas that were closed to oil and gas leasing by the Obama administration, as well as almost all federal waters off Alaska, reports Arctic Now's *Yereth Rosen*. The Obama administration closed most federal Arctic waters to oil and gas leasing in late 2016, placing the entire Chukchi Sea off-limits and all but a 2.8mn-acre strip of territory relatively close to shore in the Beaufort Sea. The new leasing plan would enter effect in 2019 and run until 2024. For more information, visit **bit.ly/2BfmFPt**

The top 10 countries with the largest remaining crude and condensate reserves are the US, Saudi Arabia, Iraq, Russia, Canada, Kuwait, Iran, UAE, Brazil and China. Unconventional oil reserves account for 9.2% (45.8bn barrels) of all remaining reserves in these 10 countries, oil sands reserves stand at 6.7% (33.3bn barrels), and heavy oil represents 4.5% (22.2bn barrels), according to market analyst GlobalData. The US holds the top spot among the 10 countries, with 91.1bn barrels expected to be economically recovered in the country. Saudi Arabia, Iraq, and Russia follow closely with 77.4bn barrels, 71.8bn barrels and 70.6bn barrels, respectively. See **bit.ly/2Dr4v3n**

First oil from Premier's Catcher Area in the North Sea was produced on 23 December 2017. Initial production of 10,000 b/d from the Catcher field will be ramped up in phases with production from the Varadero field followed by the Burgman field. Production in the Catcher Area as a whole will increase to approximately 60,000 b/d during 1H2018, adding 30,000 b/d (net) to Premier's daily production. See **bit.ly/2DrUGSM**

The super-giant Zohr gas field, offshore Egypt, began production on 20 December 2017. The field is operated by Eni, through its joint venture with The Egyptian General Petroleum Corporation (EGPC), and is the largest natural gas discovery yet to be made in the Mediterranean Sea. The Zohr field is estimated to have a total potential of up to 30tn cf of gas in place. See **bit.ly/2rqAVFm**

ExxonMobil has made its sixth oil discovery offshore Guyana since 2015. The Ranger-1 well discovery adds to previous world-class discoveries at Liza, Payara, Snoek, Liza Deep and Turbot, which are estimated to hold more than 3.2bn recoverable oil-equivalent barrels. See **bit.ly/2mVETBn**

Operating costs in the UK Continental Shelf (UKCS) dropped by 14% in 2016, with operators securing approximately £1.1bn reductions in operating expenditure (opex), according to a report released by the UK Oil and Gas Authority (OGA) in December 2017. It is the second consecutive year that UKCS total operating costs have fallen. Lower costs are expected to be sustained for the next five years, supported by the efforts of those active in the UKCS to maximise economic recovery of its oil and gas resources, says the OGA. See **bit.ly/2Dl5JJg**