



2017 to be a record year for Gulf

The global decline in crude oil prices over the past year has dealt a blow to Louisiana and our coastal communities, but there are signs of hope as 2017 approaches. The U.S. Energy Information Administration (EIA) is predicting crude oil production in the Gulf of Mexico (GOM) will reach a record high next year. Considering the massive state budget cuts

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and unusually high unemployment figures we have seen lately, this is a jolt of good news we can all appreciate.

According to the EIA, GOM production is expected to average 1.79 million barrels per day (bpd) in 2017, reaching a peak of 1.91 million bpd in December 2017, even if crude oil prices remain low. That's an increase of 10 percent from the predicted average of 1.63 mil-

lion bpd in 2016 and 24 percent higher than 2015. By 2017, oil production in the GOM is forecast to represent 21 percent of total U.S. crude production, up from 18 percent this year.

This is a sure sign energy producers have not given up on the Gulf nor on the men and women who fuel our nation in America's Gulf. It also demonstrates the resiliency of an industry whose ingenuity and creativity, as one online observer noted, never cease to amaze us.

The obvious question, however, is, "Why would oil production rise even as supply remains high and prices remain low?" There are really several answers to this economic anomaly, with origins that date back to more than 10 years ago.

- Production in the GOM is less sensitive to short-term price changes than onshore production with shale wells, which has steadily declined as oil prices have dropped. Deepwater platforms take years to build and, once developed, offshore wells produce longer and at steadier rates than shale wells. Once that initial investment is made, it just makes eco-

nomically sense to keep producing.

- A record number of new deepwater GOM projects — a total of 14 — came and are coming on line from 2015 through 2017, producing an additional 500,000 bpd of new Gulf crude oil this year and into next year. The EIA notes eight fields that began oil production in 2015, four starting in 2016 and two anticipated to begin production in 2017. A few of these new fields were discovered in 2004 and 2005, showing just how time-intensive and resource-intensive deepwater projects can be.

- Innovation: Competition and price pressures have given birth to creative approaches by industry that reduce production costs and improve safety, resulting in major advances in deepwater production that were unthinkable just a few years ago.

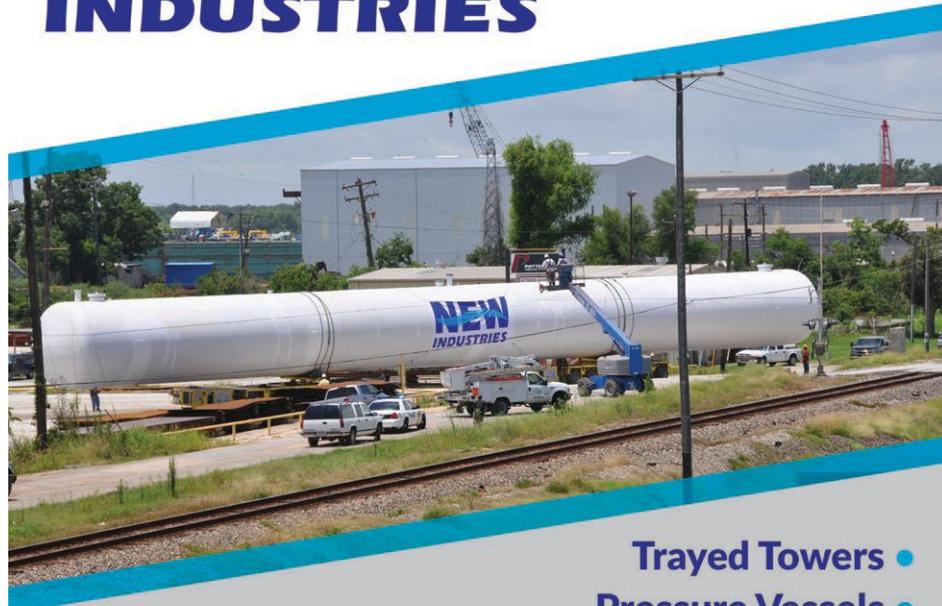
Energy companies are now tapping tiny offshore wells and connecting them to existing platforms to get the most out of existing investments, a practice known as a tieback well. Producers are making it easier and more efficient and cost-effective to access deepwater and ultra-deep fields by redesigning wells and transform-

ing the platform-building process, which significantly reduces the time it takes to get a project on line. And the first floating production, storage and offload (FPSO) vessel in the GOM begins operation this year, allowing the development of complex fields with no existing infrastructure. These are all significant innovations that ensure the future success and profitability of GOM energy production and American jobs in our Gulf.

Clearly, the oil produced today and tomorrow is the fruit of forward-thinking and long-term investments made over a decade ago. At Louisiana Mid-Continent Oil and Gas Association, we applaud these industry partners who recognize the value of America's Gulf and continue to create and innovate in order to produce the energy that fuels our nation, even in the face of falling oil prices. We look forward to that increased oil production into 2017, as well as the jobs and economic impact this increased production will have on our state and local communities.

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