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Uruguay Launches Offshore Bid Round

Uruguay's government is offering up production-sharing contracts for 17 offshore blocks in the country's third-ever offshore exploration bid round.

The auction, which was formally launched Monday in Houston, includes acreage in all three of Uruguay's offshore basins -- Punta del Este, Pelotas and Oriental del Plata. The blocks on offer have water depths ranging from 50 meters (164 feet) to more than 4,000 meters.

Interested companies have until Apr. 6 to qualify for the bidding. The blocks will be awarded on Apr. 26.

Uruguay, which has never produced hydrocarbons, has long sought to encourage oil and gas exploration in its offshore basins in the hope that companies will make discoveries similar to those found in neighboring Brazil.

State energy firm Ancap will conduct the auction and sign contracts with winning bidders on behalf of the state. Santiago Ferro, Ancap's administration and contracts manager, said Monday that bids will be ranked according to a formula that includes exploration work commitment, the state's share of profit oil and the percentage stake offered to Ancap in the event of a commercial discovery.

Under the auction terms, Ancap's stake in any production project must be between 20%-40%.

Ferro noted that, if the weighted scores for the top two bids for any block are separated by less than 5%, the bidding firms will be given five additional days to improve their offers.

The base term of the contracts will be 30 years, with extensions available for an additional 10 years. The base exploration period will be three years for most blocks but four years for deepwater areas.

In addition to giving companies more time to explore in the deepwater areas, the government will also offer a higher level of cost reimbursement for those blocks to make exploration there more attractive.

Unlike Uruguay's previous offshore round, held in 2012, companies this time will be able to qualify for exploration only, rather than for both exploration and production.

According to Ferro, Ancap is offering the exploration-only contracts to enable independent exploration companies without significant production experience to participate.

Uruguay's government had planned to hold the current auction in 2014 but shelved those plans after oil prices plunged and international oil companies slashed their investment budgets ([OD Apr.4'13](#)).

The decision to move ahead now suggests that officials see a renewed willingness on the part of IOCs to invest in frontier exploration now that oil prices have stabilized.

The previous offshore auction, which saw major companies including BP, France's Total, and BG Group -- since acquired by Royal Dutch Shell -- snap up eight of 15 blocks on offer, initially raised high expectations.

However, the subsequent plunge in oil prices, coupled with poor exploration results, dashed Uruguayan hopes.

In 2015, BP relinquished the three blocks it won, saying it wanted to focus on lower-risk projects. The following year, Total's Raya-1 exploration well, drilled to a record-setting water depth of over 3,400 meters, proved to be dry ([OD Aug.24'16](#)).

Despite those lackluster results, Uruguayan officials remain optimistic that the country can attract significant new investment with the latest auction.

Ancap CEO Ignacio Horvath called the bid round "an excellent opportunity" for companies to acquire frontier exploration acreage at a low cost.

Horvath also noted that companies will have access to far more seismic data than was the case in the previous round. Since 2012, he said, the quantity of 2-D seismic data covering Uruguay's offshore has quadrupled, while the country has gone from zero 3-D seismic to more than 42,000 square kilometers (16,200 sq miles).

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