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Lease Operatorships and Farmouts: Changing the Oil Production Scenario in Trinidad's Land-Based Fields

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Abstract

The history of the oil industry in Trinidad's land-based fields, reflects a domination by foreign multinationals initially, followed with ownership by various state-owned oil companies. Recently however, local entrepreneurs have been afforded the opportunity to participate to some extent, in oil production activities of the land-based operations of the state-owned oil company.

The state-owned oil company of Trinidad and Tobago has over five thousand (5000) inactive wells. Because of limited capital resources and the resultant low priority for reactivation, a programme of leasing blocks of these idle wells to small independent operators was initiated in July 1989. This programme is currently being expanded because of its initial success. In addition, acreages are being offered for farmout operations, again because of the scarcity of capital funds for internal investment and the associated risks involved.

As a consequence of these programmes, the oil production scenario in Trinidad's land-based operations is undergoing a radical transformation. This paper reviews the current status of lease operatorships and farmouts and discusses the key issues involved.

Introduction

Trinidad is the most southerly of the Caribbean Islands and is located to the east of Venezuela (Figure 1). The major part of the history of the oil industry of Trinidad's land-based operations reflects a domination by foreign multinationals including Shell, Texaco and British Petroleum amongst other smaller foreign companies. Over the years, the land-based assets of these companies were acquired by the Government of Trinidad and Tobago to form two state-owned oil companies TRINTOC and TRINTOPEC. In 1993, these two companies were eventually merged into one state-owned oil company, PETROTRIN.

In the late 1980's, because of the low oil prices, many wells became uneconomic to produce and were left idle.

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