

YPF FORECASTS 3% PRODUCTION GROWTH FOR 2014

According to Miguel Galuccio, YPF expects to raise its oil production and to reduce drilling costs in Vaca Muerta during 2014.

The Argentine company intends to develop the oil field in order to recover the energy self-sufficiency and stop natural gas imports. This field would contain the largest unconventional resources reserves in the world.

YPF expects to increase approx. 3% of its crude oil production and 6% of natural gas in 2014. The 2014 goal for natural gas growth does not consider the positive effect that the purchase of the American Apache operations by YPF will have over production.

YPF's oil production, controlled by the national government since 2012, grew 2.2 percent last year to 232,300 barrels a day. On the other hand, natural gas production increased 1.5 percent last year to 33,900 million cubic meters per day.

The Argentine oil company will invest approx. USD 5.5 billion this year especially in upstream activities. The president of the company, Galuccio was optimistic about the cost reductions revealed by the drillings in Vaca Muerta, which is fundamental for this formation to be financially viable and to attract the billion dollars necessary for its development.

“We are consistently drilling and finishing vertical drillings for 7.5 million dollars”, said Galuccio in relation to costs. He also added that the drilling time of wells is about 18 days. The first wells drilled in Vaca Muerta, area that is starting its development, had a cost of approx. USD 10 million. In the US, a similar drilling requires between 2 and 3 million dollars. “We have an objective (of drilling costs) which is more aggressive than 7.5 million dollars”, affirmed Galuccio.

The reduction of costs will occur when YPF, owner of approx. 40% of the 30.000 km² of Vaca Muerta, starts drilling as a factory after agreeing the lease of 15 drilling equipment for 1.2 billion dollars.

This way, YPF will duplicate its equipment in the formation, where giant companies such as ExxonMobil, Total and Royal Dutch Shell also operates.

The development of unconventional reservoirs, in which hydrocarbons remain trapped in rocks that are located in very deep surfaces, is more expensive than the exploitation of conventional fields. Now YPF is focused on the drillings of vertical wells, though it is doing tests with horizontal wells.

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