

RESISTANCE OILWATCH

NICARAGUA 2004

1. NEW PETROLEUM EXPLORATIONS START IN THE CARIBBEAN

In Nicaragua oil production still does not exist although the first exploration projects were started in the 30s. In the 70s activities were started once again by different international oil companies who carried out exploration and drilling programmes in the country's continental platforms.

The main exploration areas are the Miskito and Perlas basins on the outside Atlantic coast and the Sandino basin on the Pacific outside coast, with an approximate total area of 120,00 Km². The results of these exploration programmes indicate that commercial deposits could exist, as both basins have a depth surpassing 10,000 metres. Shell, Esso and Unocal were the main companies present during this decade.

The so-called Miskito basin is found on Nicaragua's Caribbean coast and here past exploratory activities had the result of the production of 25,000 Km of seismic lines and drilling of 24 exploratory wells offshore and two wells onshore. Oil exploration activities were suspended in 1978 due to internal conflicts in the country.

Years later, in 1999, a new marine seismic survey was led by the Norwegian company Fugro-Geoteam, allowing the identification of new structural and stratigraphic elements that had not been identified previously, and as a consequence, a more precise localization for future drilling (Sub-basin of Wonta - Verolania - East Nica Ridge and San Juan). Along the Caribbean coast, 22,918 Km of marine seismic were carried out, with registers of 26 exploratory wells drilled offshore and 2 onshore. In May 1999, another 3,097 Km of marine seismic lines were explored by French companies.

The Pacific coast of Nicaragua comprises the so-called Sandino basin, located opposite the Caribbean plate of Nicaragua, covers an area of more than 30,000 km²; it includes the Pacific platform of Nicaragua and on land extends as far as the Nicaragua Depression, which reaches the Northeast and Eastern border of the basin. Different oil companies operate in this region, mainly on the marine platform. In the 70s approximately 10,900 Km of marine seismic lines were surveyed and 6 exploratory wells drilled, 4 offshore and 2 onshore. The oil exploration campaign was held in the 1970s. Statoil and Geco-Prakla were the main companies present at this time.

Recently in the Pacific Coast, 7,713 Km of marine seismic lines were reprocessed. There are registers of 4 exploratory wells drilled offshore and also 1,360 Km of seismic marine line 2D explored in 1990.

In June 1998, new oil legislation was approved, to promote, regulate and establish basic conditions that govern hydrocarbon exploration and exploitation activities in the country, as well as transport, storage and sale.

The total area subject to the first tender comprises 150,907 square km, distributed in the following way: 113.938 km² in the Caribbean offshore, 3,423 km² in the Pacific offshore and 33.546 km² in the Pacific offshore. Exploration of the blocks will start in April 2004.

The depths of the Caribbean will be the main zones to be explored. If oil is found, the operator would have a contract for at least 30 years.

The last technical investigations, carried out by Japanese scientists with cutting edge technology, "determined the existence of oil in a bedrock located in a basin of the Caribbean Sea in Nicaragua, with a potential equivalent to 50 years", according to information from the Nicaraguan Energy Institute.

After the round of tendering, four US companies (Infinity, MKJ Exploraciones, Oklanicsa and Hellen Greathouse) will advance this year towards the exploitation of oil and natural gas in Nicaragua, after finishing negotiations with the government on a sea and land concession for five years.

In the eventuality of there being successful results, preliminary calculations foresee production of 50,000 barrels per day of 159 litres of oil, and some 83,200 litres per day of natural gas, which would provide the country with \$300 million per year.

The exploration activities that will start in September and last eight months, will characterise the prospection area, the way of life of communities, marine life forms and fauna susceptible to extinction.

The concession covers zones that reach Nicaragua's marine limits in the Caribbean (excluding Corn island as well as the Miskitos, Peras and other islets found in the zone) and the Pacific (excluding beaches), an area of land on the Caribbean coast and another between Managua and the Rivas department to the South of the country.

In the Caribbean there are 140 indigenous communities, with 70-80,000 people of Miskito, Sumo, Rama and Garifuna ethnicity, as well as many mixed-race people; many of these will be affected by oil activities.

Sources: OILWATCH .- RESISTANCE Number 44 .- March 2004