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Cyprus gas drilling facing long delays as IOCs grapple with Covid-19, oil price crash

The Republic of Cyprus had planned to see a busy year for drilling in its exclusive economic zone (EEZ), but the coronavirus pandemic and the collapse of oil prices is expected to bring a prolonged delay to the island's plans.

Speaking on Cypriot TV on Tuesday, Cypriot foreign minister Nicos Christodoulides said drilling for gas in the Cyprus offshore would likely be postponed for the foreseeable future. Plans by the Total/Eni partnership to start drilling in Block 6 in late April would certainly be affected, he said.

"Current conditions around the world will undoubtedly impact these developments," Christodoulides said. "The most likely scenario is that the drilling will be postponed, because under the present circumstances it is not feasible for the projects to be carried out as planned."

Total/Eni had planned to use the Tungsten Orient drilling rig that began drilling in Lebanon's offshore Block 4 in February and is scheduled to finish in mid-April. The current crew on the rig has been there for more than five weeks and it is unlikely that they will be expected to work beyond completion of the Block 4 well.

Considering global restrictions on international travel, getting a new crew to the Tungsten Orient so that work can start in Cyprus could pose a problem, but neither company has commented on its plans.

As many as 10 appraisal and exploration wells were to be drilled in the Cyprus EEZ during 2020-21. But with the coronavirus contagion worsening and the oil price crashing due to acute oversupply, international oil companies have already announced drastic cuts in their operations.

The logistics of preparing a rig for a new well and maintaining service is becoming highly challenging in this environment. A source working in the east Mediterranean oil service sector told Gas Matters Today that work in the entire region is being impacted.

"It ain't going good," the source said. "And it's not just because of corona, which of course made things worse. With the price of oil at a record lowest over a large number of years, investment will be held back," he said, adding that his firm was "downsizing" its projects with a number of oil majors.

Creeping uncertainty

Besides the Total/Eni plan to spud an exploration well named Kronos in Cyprus' Block 6 later this month, the partners had also planned an appraisal well at the Calypso-1 discovery, made in January 2018 and also in Block 6. Total and Eni are partnered in seven offshore blocks in the Cyprus EEZ, six of which are in areas claimed by Turkey.

Prior to the outbreak of the coronavirus and the oil price war that pushed the price of Brent crude under USD 23/barrel this week, Turkey purchased a third drillship to explore in the east Mediterranean. With Ankara now confronting the spread of Covid-19 across Turkey and the financial strain of dealing with a looming health crisis, it remains to be seen if Turkey will continue to aggressively pursue its goal to control the east Mediterranean energy scene. Turkey's Yavuz drillship remains in Cyprus Block 8 and is expected to be there until the end of April.

US giant ExxonMobil had been expected back in Cyprus Block 10 during the first half of 2020. ExxonMobil and partner Qatar Petroleum discovered gas at the Glaucus-1 well in January 2019 and would consider building an LNG export facility on the island if sufficient reserves are found.

Noble Energy, partnered with Delek Drilling and Shell in the Aphrodite field, late last year signed an agreement with the Cyprus government to develop the field, but that now is expected to be put on hold. -
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