

# The Oil & Gas Exploration & Production (E&P) Market 2011-2021

## 3. The Global Oil & Gas Exploration & Production (E&P) Market

### 3.1 The Global Oil & Gas Exploration & Production Market Forecast and Analysis

Visiongain has calculated the global E&P expenditure on equipment, operations and services in 2010 to have totalled [REDACTED]. High oil prices due to the perpetually increasing energy demand from emerging economies, and in particular China, are increasing oil and gas company revenues. This is creating an environment where companies are able to re-invest larger sums of money and unlock the more cost intensive extraction of unconventional, and deep water reserves is profitable.

The recovery of the E&P market in 2010 will continue as oil and gas companies rush to buy up the remaining acres of potential shale basins around the world. Oil sands will begin to play a more important role in the global oil supply as the investment in Canada and to a certain extent, Venezuela is increased. Offshore E&P will increase as many major conventional regions of oil and gas production, are seeing declines in output. The application of enhanced oil recovery will increase in the majority areas with maturing production.

A rise in spending on conventional E&P projects will be mainly focused on the Asia-Pacific, Latin America, Africa and the Middle East regions. These areas, however, will see the strongest growth in the initial stages of the forecast, particularly with the impact of investment from China through the plethora of projects they have bought into over the last few years. The Chinese government is estimated to be [REDACTED] in credit and is likely to want to invest to keep its growing economy fuelled.

Traditional conventional oil producing areas such as the Middle East, North-western Europe and North America will see increased investment in technology for enhancing recovery volumes. Where natural means no longer creates enough pressure to lift oil, new injection wells will be drilled to assist extraction and produce more from each reserve.

Global spending on E&P will grow at a rate of [REDACTED] CAGR from 2011 to 2016 as the high oil price and increasing Chinese investments drive growth. Investments from the six supermajors will also add to growth with over a [REDACTED] increase planned in their E&P budgets from 2010 to 2011. As expenditure meets the pre-recession record levels of 2008, it is likely the aggressive spending growth in 2011 will

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calm to between [REDACTED] and [REDACTED] in the middle of the forecast period. In 2016 the global market for E&P will be worth [REDACTED]. See Table 3.1, Table 3.2 and Figure 3.1.

**Table 3.1 Global Oil & Gas Exploration & Production Market Forecast 2011-2021 (\$bn, AGR %)**

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>Sales \$bn</b>	[REDACTED]											
<b>AGR(%)</b>	[REDACTED]											

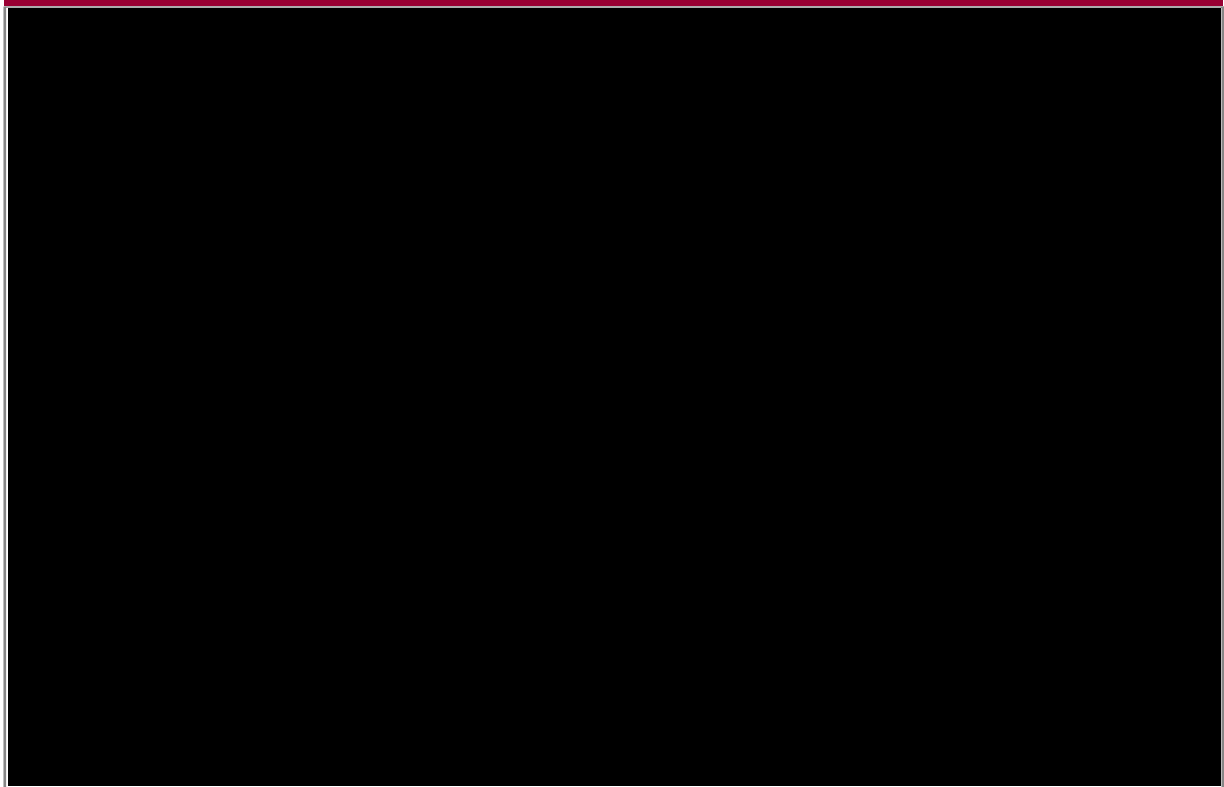
Source: *Visiongain 2011*

**Table 3.2 Global Oil & Gas Exploration & Production Market Forecast CAGR (%) 2011-2021, 2011-2016, and 2016-2021**

	2011-2021	2011-2016	2016-2021
<b>CAGR (%)</b>	[REDACTED]		

Source: *Visiongain 2011*

**Figure 3.1 Global Oil & Gas Exploration & Production Market Forecast 2011-2021 (\$bn)**



Source: *Visiongain 2011*

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Continued investment in offshore and unconventional resources all over the world will sustain increasing E&P expenditure over the second half of the forecast. The CAGR from 2016 to 2021 will be [REDACTED]. Ever improving technologies and better efficiency should help mitigate cost increases. Towards the end of the forecast attention will be turned away from capitally intense mega projects, many of which are due for completion around 2016, to enhanced recovery and the development of deeper reservoirs. Even the largest oil field in the world, Saudi Arabia's Ghawar, is approaching [REDACTED] depletion and will soon require work to maintain its [REDACTED] b/day production volume. The ten year CAGR for expenditure in global E&P is [REDACTED] will create a market value of [REDACTED] in 2021.

The biggest growth rates will be experienced in the new areas of conventional offshore production where remaining undiscovered deposits of oil and gas are still being found and extracted. This will be especially prominent offshore in Latin America and throughout the Asia-Pacific, as well as offshore Africa and the Middle East. Many of these areas have a large potential for substantial development of their oil and gas production industries as well as having strong prospects for further discoveries. Regions with pre-salt geology, such as Brazil and West Africa, are particularly seeing increased attention offshore. The Middle East will also see raised spending on E&P projects to counteract the slowing production from some of the largest producing fields in the world. The region has seen considerable underinvestment in some areas and requires substantial development to increase production levels. The Middle East holds over [REDACTED] of the world's proven oil reserves and remains the most pivotal player in global oil and gas supply.

## 3.2 The Oil & Gas Exploration & Production Sub-Markets

Table 3.3 shows the breakdown of the three major E&P sub-markets of exploration, drilling and production. All of the sub-markets are expected to see robust growth, which will be most predominantly experienced in 2011 and 2012 as the global economic recovery continues to increase the demand for oil and gas. The exploration market will grow gradually as tried and tested seismic exploration will continue to dominate in the maturing market. The drilling market in particular is likely to see strong growth as further unconventional plays with high drilling intensities, and high cost offshore wells are developed. The production market will see powerful gains as new capacity will need to be added to the world supply. More investment will be focused on enhanced oil recovery and seabed production facilities as their application will prove evermore valuable.

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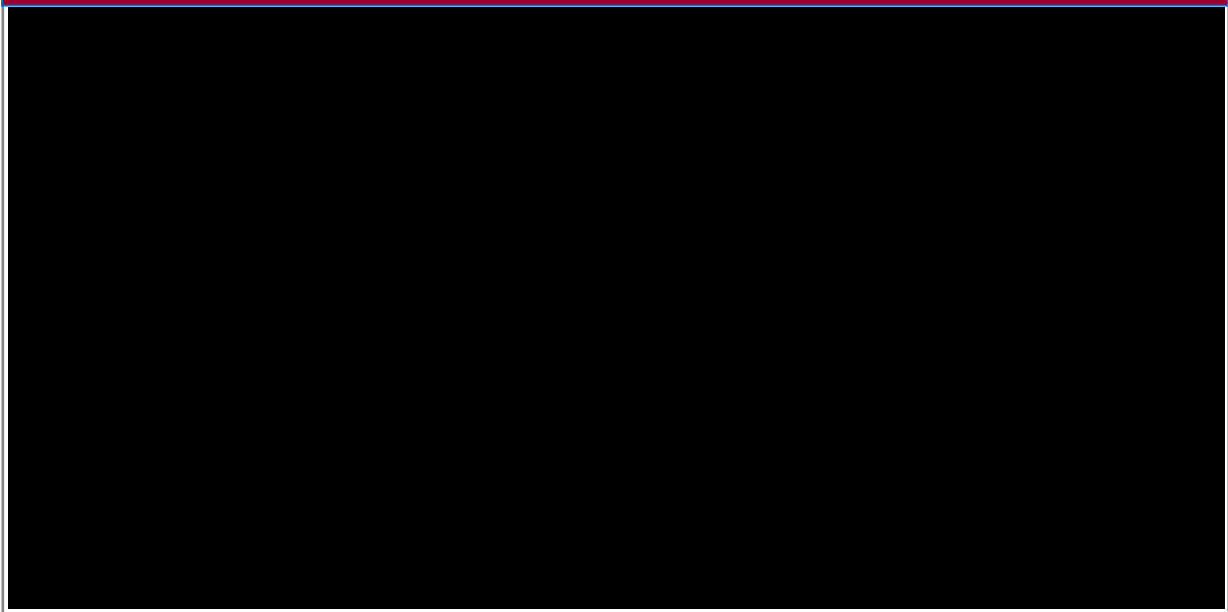
**Table 3.3 Global Oil & Gas Exploration & Production Sub-Markets Forecast 2011-2021**  
(\$bn, AGR %)

Sales (\$bn)	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
AGR (%)												
AGR (%)												
AGR (%)												

Source: *Visiongain 2011*

Figure 3.2 illustrates more clearly the considerable proportion of E&P spending that is allocated to the area of production.

**Figure 3.2 Sub-Market Share of Global E&P Expenditure 2010 (%)**



Source: *Visiongain 2011*