Oil and Gas News Briefs
Compiled by Larry Persily
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Global oil traders say worst is over for low prices

http://www.bloomberg.com/news/articles/2015-04-21/world-s-biggest-oil-trader-says-crude-price-can-t-drop-much-more

(Bloomberg; April 21) - Vitol Group, the world's biggest independent oil trader, said crude prices won't drop below $50 a barrel for sustained periods because that's a level some producers need in order to invest in new supply. Another big global oil trader, Gunvor Group, said the rout is over. "We still subscribe to the likelihood that over time prices still have to go back up because you still need to invest," Vitol's CEO Ian Taylor said in an interview at the FT Commodities Global Summit in Switzerland on April 21.

"People won't invest unless they can make the upstream business work, and it's not just U.S. shale. At $50 a barrel, it doesn't work," Taylor said. He expects prices will trade from $50 to $70 a barrel in the second half of this year. "U.S. production growth is beginning to slow down and demand is looking quite good for the year, so the combination of all of that means that probably price, if anything, moves up a little bit."

The market "overreacted to the downside" and the slump is "behind us," Gunvor CEO Torbjorn Tornqvist said at the same event. Gunvor handles more than 2.5 million barrels of crude oil and fuels daily, placing it among the world's five largest independent traders, according to data compiled by Bloomberg. Offering a similar view, prices need to rise to about $80 a barrel to attract investment and replace lost production, said Marco Dunand, CEO of Mercuria, another big global commodities trader.

Low prices send crude-by-rail volumes downhill

http://calgaryherald.com/business/energy/ewart-oil-prices-safety-concerns-slow-crude-by-rail-trains

(Calgary Herald columnist; April 23) - After five years of rapid growth — punctuated by fiery crashes that stoked public safety fears across North America — the flow of crude oil by rail is in decline. It goes well beyond trains adhering to lower speed limits. A 20-fold surge in the volume of crude moving by rail has been an unintended consequence of the shale oil boom since 2010, but first-quarter results released this week by Canada's two largest railways suggest growth in the sector may be running out of gas.

Similar to the oil industry overall, there is still upside forecast for oil-by-rail but it's at a slower pace than forecast before a 50 percent drop in the price of oil. Canadian Pacific Railway revealed an 8 percent year-over-year drop in carloads of oil in its first-quarter results this week. The railway still expects to move 140,000 carloads of oil in 2015. Canadian National Railway expects it will move 247,000 carloads of oil and fracking sand in 2015, though down significantly from earlier forecasts.

It's a testament to the rise of crude-by-rail — to more than 1 million barrels a day in North America — that quarterly results of railways are now closely watched in the oil patch. But depressed oil prices have made the economics of rail transport less appealing to producers and refiners. The Association of American Railroads has said the number of trains carrying oil and refined products peaked last fall, but had started to decline by March. Depending on distances, it can cost between $10 and $15 a barrel to move oil by rail compared with less than $5 on a pipeline.

Backlog of U.S. well completions keeps oil out of the market

http://www.bloomberg.com/news/articles/2015-04-23/u-s-shale-fracklog-triples-as-drillers-keep-oil-out-of-market-i8u004xl

(Bloomberg; April 23) - Think the U.S. is awash in crude now? Thank the "fracklog" that it's not worse. Drillers in oil and gas fields from Texas to Pennsylvania have yet to turn on the spigots at 4,731 wells they've drilled, keeping 322,000 barrels a day underground, a Bloomberg Intelligence analysis shows. That's almost as much oil as OPEC member Libya has been pumping this year.

The number of wells waiting to be hydraulically fractured, known as the fracklog, has tripled in the past year as companies avoid pumping more oil while prices are low. The fracklog may slow any oil-price recovery, however, as firms quickly finish wells at the first sign of higher prices. "Once service costs come down and drillers begin to work through their higher-than-normal backlog, the market should start to price in that supply coming online," Andrew Cosgrove, an energy analyst for Bloomberg Intelligence in Princeton, N.J., said by phone. "It may act as a cap on prices."

Oil production in the Lower 48 states would rise 322,000 barrels a day to an average 7.485 million in the fourth quarter of 2016 if drillers start shrinking their fracklogs by 125 wells a month in October, Bloomberg Intelligence models show. A second scenario, in which crude prices rebound to $60 to $65 a barrel for an extended period and drillers put rigs back to work, increases supply by 500,000 barrels a day to 7.67 million.

Oil-price collapse takes toll on fracking service companies

http://www.bloomberg.com/news/articles/2015-04-22/half-of-u-s-fracking-companies-will-be-dead-or-sold-this-year

(Bloomberg; April 22) - Half of the 41 fracking companies in the U.S. will be dead or sold by year-end because of spending cuts by oil companies, an executive with Weatherford

International said. There could be about 20 companies left that provide hydraulic fracturing services, Rob Fulks, pressure-pumping marketing director at Weatherford, said in an interview April 22 at the IHS CERAWeek conference in Houston.

Demand for fracking, a production method that along with horizontal drilling spurred a boom in U.S. oil and natural gas output, has declined as customers leave wells uncompleted because of low prices. Weatherford, which operates the fifth-largest fracking operation in the U.S., has been forced to cut costs "dramatically" in response to customer demand, Fulks said.

The company has negotiated price cuts from the mines that supply sand, which is used to prop open cracks in the rocks that allow hydrocarbons to flow. Fulks declined to say whether Weatherford is seeking to acquire other fracking companies or their unused equipment. "We go by and we see yards are locked up and the doors are closed," he said. "It's not good for equipment to park anything, whether it's an airplane, a frack pump or a car."

Other nations lack 'enablers' for their own shale oil boom

http://fuelfix.com/blog/2015/04/22/ceraweek-oil-chiefs-explain-why-u-s-shale-boom-hasnt-gone-global/?

(Houston Chronicle; April 22) - Panelists at IHS CERAWeek in Houston were asked, why haven't U.S. oil producers tried to tap into shale formations overseas? The best shale rock is in countries with unstable political regimes — in North Africa, the Middle East and Russia. Outside the U.S., there's no private mineral ownership, a factor that has driven the U.S. shale boom for the past six years, said Scott Sheffield, CEO of Pioneer Natural Resources, one of the biggest producers in the Texas Permian Basin.

Few countries have met the criteria to make shale a viable resource, said John Hess, CEO of Hess Corp. He said a nation needs five key shale "enablers" that producers can find in the United States and Canada: the right geology, private mineral rights to give land owners an incentive to let drilling rigs on their property, infrastructure for thousands of trucks moving equipment, a pragmatic tax system and a pragmatic regulatory system. "How many countries meet all five criteria?" asked Daniel Yergin, CERA's founder.

"Not too many that we've found yet," Hess said, though he noted Argentina is moving ahead with plans to exploit shale rock. "They're at the start of the journey that the U.S. was at 10 years ago." Apart from Argentina and a few other countries, "we haven't seen the stars align yet," he said. China may have more natural gas than the U.S. trapped in its shale, but the geology hasn't proved as ripe as many have thought, Hess said.

Japanese buyer will take 3 cargoes a year from Louisiana LNG plant

http://www.reuters.com/article/2015/04/23/lng-toho-gas-idUSL4N0XK2FD20150423

(Reuters; April 23) – Japan's third-biggest city gas supplier, Toho Gas, said it had signed a basic agreement with a unit of Mitsubishi Corp. to buy 200,000 metric tons a year of liquefied natural gas (less than 10 billion cubic feet of gas) from the Cameron LNG project at Hackberry, La., for 20 years starting in 2018. Toho Gas will buy the gas at U.S. Henry Hub index-linked prices. The destinations for the three cargoes to be taken each year can be changed if the seller agrees in advance, the company said.

In addition, Toho Gas in January 2014 also signed a contract with Mitsui to buy LNG from the Cameron project, with its total purchases from the project now increasing to 500,000 tons a year. Sempra Energy's Cameron LNG project is set to start production in 2018, after receiving final investment approval and construction starting last year. Mitsubishi and Mitsui both hold 16.6 percent stakes in the development, selling their share of the output to various buyers.

FERC targets February 2016 for final EIS on Oregon LNG project

http://www.dailyastorian.com/Local_News/20150421/feds-set-target-date-for-oregon-lng-review

(The Daily Astorian, Ore.; April 21) - The Federal Energy Regulatory Commission looks to complete its final environmental review of the Oregon LNG project at Warrenton by next February. The commission’s environmental impact statement is a key document in the government’s consideration of the $6 billion project. The draft EIS has yet to be released, but when it does become public later this year it will be heavily scrutinized by the project sponsor and vocal opponents in the Columbia-Pacific region.

In a notice released April 17, FERC said the final environmental impact statement would be completed Feb. 12, 2016. According to the notice, other agencies looking at federal authorizations would have 90 days, until May 12, 2016, to reach final decisions. Oregon LNG wants to build an 87-mile pipeline and a natural gas liquefaction plant and export terminal on Washington state’s Skipanon Peninsula, at the entrance to the Columbia River. The developer would charge a fee to liquefy and then load LNG for customers.

Dan Serres, conservation director for Columbia Riverkeeper, said that regardless of FERC’s eventual decision, Oregon will have the final say on whether the project conforms to its environmental laws. “We will be urging the state of Oregon and federal agencies like the Army Corps of Engineers to deny permits that would allow Oregon LNG to harm salmon habitat, threaten public safety and condemn private forest and farm lands,” Serres said in an email.

Petronas plans to put first floating LNG facility to work in 2016

http://af.reuters.com/article/energyOilNews/idAFL4N0XI2GR20150421

(Reuters; April 21) - The world's first floating liquefied natural gas project, built for Petronas, is expected to start service in the first quarter of 2016, senior officials from the Malaysian state-owned oil and gas firm said April 21. The 1,200-foot-long Petronas Floating LNG 1 (PFLNG1), with a capacity to produce 1.2 million metric tons of LNG per year (almost 60 billion cubic feet of gas), will be completed by next March, the firm's vice president and venture director for domestic LNG projects Abdullah Karim said.

Abdullah said the gas supplies will likely be used for domestic consumption. He did not reveal the total investment nor the LNG price assumption used during the final investment decision in 2012, but said the project still looks to be profitable. "We are still optimistic about this. Our projection number is not for oil prices at $110. Even today with prices at $62 or so, it's still viable for Petronas," he said. The ship, which is being built in South Korea, will work a gas field about 100 miles offshore Malaysia.

Industry players have raised questions whether it is more cost-efficient to build land-based or floating LNG production and storage facilities. Shell is building its own floating LNG ship for service off the northwest coast of Australia, named Prelude. The ship, at more than 1,600 feet long, will be the world's biggest maritime vessel and is set to start work in 2017. It will have more than four times the capacity of the Petronas floating plant, at 5.3 million tons per year (about 250 billion cubic feet of natural gas per year).

Indian LNG buyer stuck with costly long-term contract price

http://www.financialexpress.com/article/economy/expensive-lng-via-long-term-deal-a-major-concern-for-gail/65418/

(The Financial Express; April 21) - GAIL (India), the country’s largest gas transmission and marketing company, is under stress as liquefied natural gas purchased under long-term contracts has turned out to be more expensive than spot-market buys — with no takers for the contract gas. Left with no option, the state-owned company has to use the expensive LNG for its petrochemical plant, leading to a drop in margins. With the situation not expected to change any time soon, GAIL’s growth is under a cloud.

“As LNG prices are linked to oil prices, spot LNG prices have been reduced drastically, and this is definitely a major challenge for GAIL because we import most of our LNG through long-term contracts that are costlier at the moment,” a spokesperson said. The spot price for LNG has fallen to around $7 to $8 per million Btu (landed cost, excluding regasification, transportation and marketing charges), while the price under long-term LNG contracts hovers at more than $11 because it averages oil prices back in time.

“These issues now seem likely to persist for a while,” an analyst said. The 7.5 million metric tons of LNG that India has on contract from Qatar (of which GAIL is liable to take

60 percent) is costly because it is linked to the average price of oil over the past five years. The company is unable to find buyers for the gas, having no choice but to use it.

Total, Papua New Guinea partners start marketing LNG project

http://www.reuters.com/article/2015/04/22/total-papua-lng-idUSL4N0XJ3OV20150422

(Reuters; April 22) – The first shipments from a new liquefied natural gas project in Papua New Guinea operated by French oil major Total could start in 2021, a top executive at a partner in the project told Reuters April 22. Total and its local partners InterOil and Oil Search plan to begin marketing a total of 6.8 million metric tons of LNG per year from the project mainly to buyers in China and Japan by the end of this year, said Keli Taureka, executive vice president of InterOil.

The LNG export project would be the Southeast Asian country's second, after ExxonMobil last May began exports from its $19 billion PNG LNG project. The new project, drawing gas from Papua New Guinea's biggest undeveloped gas deposit, the Elk and Antelope fields, hopes to take advantage of many LNG contracts expiring in North Asia around that time, Taureka said.

However, the project may face competition from North America and Australia, where LNG projects will ramp up toward the end of the decade. Preliminary estimates show the Elk and Antelope fields hold 5 trillion to 9 trillion cubic feet of gas, with confirmation after an appraisal study is complete by the middle of this year, Taureka said.

Protestors disrupt LNG information session in Philadelphia

http://stateimpact.npr.org/pennsylvania/2015/04/17/shale-gas-opponents-shout-down-industry-speaker-at-lng-session/

(Pennsylvania public radio; April 17) - Anti-fracking protestors April 16 disrupted a public information session on the possibility of building a liquefied natural gas export terminal in Philadelphia, shouting down speakers from the industry and finally being ejected by security officers. About half a dozen protestors repeatedly interrupted an opening presentation at Drexel University by Jason French, director of government and public affairs for Cheniere Energy, which is building an LNG export terminal in Louisiana.

“We are not interested in hearing from this liar,” one protestor shouted at French. Another accused the industry of wanting to create a “sacrifice zone” for a complex of refineries, petrochemical plants and oil and gas transportation facilities, known as the energy hub, in Philadelphia. French made several attempts to restart his talk but was repeatedly shouted down by protestors who accused the company of wanting to “poison” air and water, citing the alleged risks from unconventional gas development.

City Councilman David Oh, who chaired the discussion, told the protestors they were preventing an informative session for most of the approximately 100 people attending the event, titled “LNG Exports – Exploring the Possibilities in Philadelphia.” French said Cheniere has no plans to build an LNG export terminal in Philadelphia, but had come to the meeting to help the public understand the scale and nature of the projects.