Oil and Gas News Briefs
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U.S. proposes easier approval process for small-scale LNG exports

(The Hill; Sept. 1) – The U.S. Energy Department is proposing to ease the approval process for companies that want to carry out "small-scale" exports of liquefied natural gas. Under a proposal published Sept. 1 in the Federal Register, companies would get automatic approval of LNG export applications as long as the proposed exports are 140 million cubic feet per day or less and the Energy Department does not need to do an extensive environmental review of the project. Public comments are due by Oct. 16.

The proposal comes as the administration seeks to ramp up exports under President Trump's "energy dominance" agenda. "The United States has an abundant supply of affordable natural gas that studies have shown will significantly exceed domestic demand. Meanwhile, foreign demand for natural gas imports from the United States has increased as many countries, such as those in the Caribbean, Central America, and South America, seek to import cleaner sources of energy," the department wrote.

The Energy Department is obligated to review requests for exports to countries without U.S. free-trade agreements and determine whether such exports would be in the "public interest." Most of the applications to date have been for large-scale projects — as much as 10 or 15 times larger than the small-scale definition the department is proposing. But officials say there is a significant market for small-scale exports, particularly to Western Hemisphere countries, and that they should be assumed to be in the public interest.

Bangladesh LNG deal with Qatar priced at 12.5% of oil

(Platts; Aug. 31) - Bangladesh's Cabinet Committee on Public Purchase has approved state-owned Petrobangla's initial agreement to buy 2.5 million tonnes per year of liquefied natural gas from Qatar's RasGas over 15 years, a senior official at the Energy and Mineral Resources Division said Aug. 31. The purchase price has been set at about 12.50 percent of the three-month average Brent crude oil price plus 0.50 percent, the official said. At $50 oil, for example, the LNG would cost $6.50 per million Btu.

Oil-linked LNG supply contracts had been priced at as much as 15 percent of a barrel of crude just a few years ago, before global supplies overtook demand and forced prices lower. The difference, for example, between a 15 percent pricing link and a 13 percent contract for LNG would be $1 per million Btu when oil is at $50 per barrel.

RasGas and Petrobangla signed the much-expected initial agreement July 13, but it took time for the law ministry to vet the deal before going to the cabinet for final approval. The quantity can be increased later under the deal, a source said. The Qatar supply will take up a third of Bangladesh's import capacity at the two floating receiving, storage and regasifying terminals it expects to put into operation next year. The country is turning to imports as its domestic gas output is unable to keep up with demand.

Mexico imported an average 4.3 bcf of U.S. gas a day in August

(Platts; Aug. 31) - Total U.S. natural gas exports to Mexico rose to an all-time high of 4.3 billion cubic feet a day in August, and though it was a 6 percent build over last year it was well below market expectations from earlier this year. The slower growth in exports year-to-date can largely be traced to pipeline construction delays in Mexico, which have limited import options and forced CFE, Mexico's state-run power company, to depend more heavily on liquefied natural gas imports and fuel oil for power plants.

In response to constraints on importing additional U.S. pipeline gas, Mexican LNG imports are up 15 percent over last year, to an average 600 million cubic feet of gas per day year-to-date. Interestingly, the United States has emerged as the primary supplier of LNG to Mexico, having delivered nearly 107 billion cubic feet of gas as LNG to Mexico year-to-date, about 76 percent of the country's total LNG imports.

Looking into 2018, there are a number of pipelines that will need to enter service for Mexico to continue increasing gas imports from the U.S. The most important of these expansions are in the western half of the country and will allow for Permian Basin gas production to reach demand markets in central and western Mexico. However, unlike federally regulated projects in the U.S., which are required to publish construction status reports, the current status of the Mexican gas pipelines is largely unknown.

Oil and LNG exporter Brunei forced to cope with lower revenues

(Financial Times; London; Sept. 3) - On the brink of the Sultan of Brunei's 50th anniversary on the throne next month, a new theme has emerged in this tiny, oil-rich Southeast Asian state: moderation. The leader's authority appears as strong as ever but his nation of 420,000 residents has been buffeted by global trends. The fall in energy prices, Chinese expansionism and a younger generation's restlessness have chipped away at the old model of oil-fueled consumption and welfarism — presenting the world's longest-ruling absolute monarch with a puzzle.

"Oil prices have been a real wake-up call," said Mustafa Izzuddin, of Singapore's Iseas-Yusof Ishak Institute. "They are not going to collapse any time soon — [but] their natural resources are being depleted." Brunei has become a microcosm of the trouble faced by oil-dependent states as prices have more than halved from 2012. The International Monetary Fund estimates oil and gas revenues in the sultanate fell by three-quarters in the four years to 2015-16. Oil output at 120,000 barrels a day is half of its peak.

The price collapse has complicated Brunei's ability to keep a friendly but arm's-length relationship with Beijing. It also threatens Brunei's subsidies for housing, health care and consumer goods. A litre of gasoline can cost less than the same amount of water. Brunei, which has been exporting liquefied natural gas since 1973, last year shipped out more than 6 million tonnes of LNG, mostly to Japan. Asked whether oil money has held back economic development and made people less hungry to work, Energy Minister Mohammad Yasmin Umar, replied: "Definitely … this is the error of the $100 oil price."

New York state denies FERC-approved gas pipeline

(GreenWire; Aug. 31) - New York state denied a gas pipeline project Aug. 30 on grounds that federal regulators failed to conduct an adequate review of its greenhouse-gas impacts. The New York Department of Environmental Conservation conditionally denied the Valley Lateral Project, citing a recent federal court ruling that said federal regulators have to take greenhouse gases into account when reviewing gas pipelines.

The Federal Energy Regulatory Commission "failed to consider or quantify the indirect effects of downstream GHG emissions in its environmental review of the project that will result from burning the gas that the project will transport," state regulators said in a filing to FERC. The denial sets up further litigation about a suddenly contested topic: Whether state or federal authorities hold the trump card on interstate gas lines. Recent federal court rulings have explored cases where FERC approved a pipeline but states did not.

The Valley Lateral was to run 8 miles from Millennium Pipeline's system to CPV Valley, a gas-fired power plant in upstate New York that is over 80 percent built. The facility can also run on oil, if necessary. FERC approved the project in November, but under federal law the line also needed a state water quality permit. New York said FERC's review was "inadequate and deficient," and that a recent federal court signaled "a material change in applicable law" that permitted the state to deny the application.

Court rules against nuns opposed to gas pipeline in Pennsylvania

(Washington Post; Aug. 30) - The nuns knew it was a long shot when they teamed up with environmental activists to build a chapel in the path of a planned gas pipeline. The 200-mile, $3 billion project would move natural gas coming out of Pennsylvania's shale fields. The developer, Williams Cos., has the authority to take the land it needs by eminent domain, and the cornfield owned by the nuns is in the pipeline's proposed path.

But these nuns in Lancaster County, Pa., members of the Adorers of the Blood of Christ, concluded that a pipeline through their cornfield violated their belief in protecting the environment. They refused to strike a deal with Williams. As a symbol, they worked with the activists to build a bare-bones chapel on the spot where the Atlantic Sunrise pipeline would go. But a U.S. District Court judge ruled last week against the nuns. If the nuns or the other four local landowners resisting the pipeline delayed construction, Williams Cos. would suffer "irreparable harm" from the financial cost, the judge ruled.

"The project will provide the general public throughout a vast area of the country with access to the Marcellus Shale natural gas supplies for heating their homes and other purposes," the judge wrote. Despite the ruling, the nuns' fight is not over. Last month, they filed suit, arguing that allowing the pipeline on their land would violate their rights under the Religious Freedom Restoration Act. They're still waiting for a ruling in that suit, which could forestall Williams Cos. from beginning construction in their cornfield.

Opponents challenge Enbridge pipelines in Wisconsin, Michigan

(The Associated Press; Aug. 31) - Protests are ratcheting up against Enbridge's plan to replace its Line 3 oil pipeline from Canada to Wisconsin, and against a separate aging Enbridge pipeline under the waterway linking Michigan's upper and lower peninsulas. Six protesters were arrested this week near Superior, Wisc., where Enbridge began work in June on a short segment amid plans to eventually replace Line 3, which carries Alberta oil sands crude across North Dakota and Minnesota to the Wisconsin terminal.

The protesters briefly shut down construction Aug. 29. The Line 3 protest by activists describing themselves as "water protectors" echoes opposition by American Indians to the Dakota Access pipeline. The Standing Rock Sioux Reservation in North Dakota witnessed more than a year of protests against the $3.8 billion project, which began moving North Dakota oil to Illinois this summer. Honor the Earth and other indigenous groups say the Line 3 replacement fight could become the next Standing Rock.

Calgary-based Enbridge proposed the $7.5 billion Line 3 replacement because capacity on the 1960s' line is sharply restricted. The project would restore its original capacity of 760,000 barrels per day. In addition to the Line 3 debate, Enbridge is defending its Line 5 that runs underwater at the Straits of Mackinac between Lake Michigan and Lake Huron. Protesters say the 64-year-old line threatens the Great Lakes. It carries light crude and gas liquids from Superior, Wisc., to Sarnia, Ontario. Enbridge disclosed Aug. 30 that it had discovered gaps in a protective layer of enamel coating on the pipe.

Alberta coal towns lose jobs with conversion to gas power plants

(Calgary Herald; Aug. 29) - Alberta's rural communities that fear devastating effects of coal-plant shutdowns are looking to renewable energy to aid their struggling economies, but there are concerns wind and solar power will not generate long-term jobs. The town of Hanna, population 2,500, about 100 miles northeast of Calgary, expects a major loss to its workforce when a coal mine shuts down and its coal-fired power plant converts to natural gas, which will not require nearly as many workers.

Like other communities across the province, Hanna has been looking for ways to fill the void as the provincial government snuffs out coal power by 2030 as part of its agenda to fight climate change. Armed with a recent study that shows the town gets plenty of sun and wind, Hanna wants to attract green-power companies. Ironically, the town faces hurdles imposed by the province. Hanna is awash in Crown land, but Alberta's rules don't allow renewables on these public areas.

Mayor Chris Warwick wants the province to remove this irritant and give coal towns special consideration when awarding renewable power contracts. "They are reinvesting a lot of the carbon emissions levy back into renewables, so we think it's only fair that we get maybe the lion's share of the possible investment." In Hanna, ATCO's coal power plant and the mine that supplies it employ a combined 200 people. The mayor believes about a third of the coal workforce will survive the transition to a gas-fired plant.

Canadian shale producers cut back spending as price rebound stalls

(Bloomberg; Aug. 31) – After starting the year at a torrid pace, the explorers of Canada's shale riches are taking a step back, much like their peers in the Permian Basin south of the border. As oil's rebound stalls and tight-rock operations in Alberta and British Columbia gush enough oil and gas to meet targets for the year, Canadian producers like Painted Pony Energy and Baytex Energy may be putting the brakes on a spending spree that saw drilling in the first half more than double to over 3,000 wells.

They're still on pace to invest, drill and produce a lot more than last year, but as it sinks in that a solid price recovery may take longer than many expected, a higher dose of caution is seeping into their budgets. "I'm sensing that there is a slowdown in capital spending for this year," Painted Pony CEO Patrick Ward said. The restraint echoes spending cuts by U.S. shale explorers that still expect to meet or exceed production goals thanks to advances in drilling technology that make wells more productive.

Painted Pony, which produces gas from a portion of the Montney Shale formation in northeastern British Columbia, is cutting its budget for the second half of the year by $33 million. The company said it is seeking to maintain financial flexibility in a "lower-than-anticipated commodity price environment." It's all about price. "Most of the

Western Canadian business has to recognize that they've got to be competitive in a $45 (per barrel) world," said Obsidian Energy CEO David French.

Statoil finds no oil, not enough gas at Arctic offshore well

(Reuters; Aug. 28) - Norway's hope of discovering a large oil field in the Barents Sea has suffered a major setback after the far north Arctic's most promising reservoir turned out to contain only small amounts of natural gas. Statoil, the country's top oil and gas producer, has stepped up drilling in the Barents Sea this year as the government seeks to attract more explorers to its Arctic waters to make up for declining North Sea output.

But Statoil said Aug. 29 that after drilling the northernmost exploration well in the highly anticipated Korpfjell prospect it had found only non-commercial quantities of gas and no oil. Korpfjell was the first exploration well drilled in the Norwegian section of a formerly disputed area between Norway and Russia, where Statoil and its partners had hoped to make a major discovery.

"The results are of course disappointing, but it is too early to draw any conclusions," said Jez Averty, Statoil's head of exploration in Norway and U.K. Statoil had ranked the Korpfjell as "high-impact," meaning that it could contain upwards of 250 million barrels of oil equivalent. However, the discovery at Korfpjell is estimated to contain just 200 billion to 400 billion cubic feet of gas, not enough for commercial development. Averty said Statoil needed to explore the area more, and is planning a second well in 2018.