Oil and Gas News Briefs
Compiled by Larry Persily
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Survey finds traders expect oil will fall to $20 or below

(Bloomberg; March 19) - Oil traders struggling to navigate one of the biggest oil crashes in history say the worst is yet to come. Even after a 60% plunge so far this year to the lowest since 2003, prices will likely drop further to $20 a barrel or below, according to a survey of traders from some of the world's biggest oil companies and merchants. Analysts from Goldman Sachs to Citigroup also expect prices to decline further in the coming months with some even speculating certain regional prices could go negative as markets try to send signals to halt supply amid weakened demand.

Picking a bottom is stress-inducing when prices touch new lows daily. Brent fell 13% on March 18 to settle at $24.88, the lowest since 2003. There have been three double-digit percentage drops so far this month. Eighteen of 20 oil and oil-products traders surveyed see Brent falling to $20 a barrel or less with West Texas Intermediate $3 to $5 below that. "This is Operation Desert Storm, Enron, 9/11, Hurricane Katrina/Rita, Lehman Bros, combined." said Stephen Schork, president of the Schork Group consultants.

The price weakness is expected to last from a matter of weeks to as long as the end of the year, said the traders. "The $20 level is easily breachable" by mid-April, said R. Ramachandran, a director at Indian oil refiner Bharat Petroleum. Some traders point to prices falling deep enough that players start buying oil to store it for a profitable resale later. That will only work until storage tanks fill up. Others see prices continuing to fall until producers can no longer pump profitably, forcing them to shut in production.

Analysts see oil-price war continuing into 2021

(CNBC; March 18) - An oil-price war between Saudi Arabia and Russia will most likely continue throughout the year with no end in sight until 2021 at the earliest, said analysts at Eurasia Group. "Extensive pain from the oil-price shock will accumulate over the course of 2020 and create the necessary conditions for negotiations, compromise, and probably a new production restraint agreement," they said in a research note.

"Saudi policy will now revolve around inflicting pain on other producers over the short term, but its long-term objective is to be the predominant market manager and price setter," analysts at the risk consultancy said. "The Saudis have a potent weapon at their disposal, namely spare production capacity," said Stephen Brennock, oil analyst at

PVM Oil Associates. “As the long-time purveyor of global spare capacity, Saudi Arabia is reopening the oil spigots,” he said. “The Saudis are in for the long haul.”

Timothy Ash, senior emerging markets strategist at Bluebay Asset Management, said the timing of the price war was “really horrible” for Russia. “Putin wants to deal now — why else would he risk the much-improved relationship with OPEC+ and the Saudis, and even his popularity at home.”

S&P Platts revises 2020 oil-price forecast down to $25 for WTI

(S&P Global Platts; March 22) - S&P Global Ratings lowered its 2020 oil price forecast for the second time in a month and said U.S. producers are likely to be hurt the most by lower oil prices. The 2020 price assumptions were lowered by $10 per barrel to $25 for West Texas Intermediate and to $30 for Brent, according to a March 22 statement. Assumptions for 2021 and 2022 were not changed. S&P Global Ratings joins a number of organizations that are reassessing oil-price forecasts as prices continue to tumble.

WTI plunged almost 13% on March 20 to settle at $22.63 and Brent fell 5.23% to $26.98. March is heading for the worst month ever for oil prices, which began to plunge after OPEC+ failed to reach an agreement on extending and deepening output curbs beyond March 31. S&P Global Ratings does not expect Russia and Saudi Arabia to overcome their differences and return to negotiations despite the deep price crash.

U.S. oil producers are likely to be a victim of the price war. "A price war by OPEC and Russia would clearly target higher-cost producers — typically those in the U.S.," S&P said. "The U.S. has become a major player in the global oil markets and a major exporter.” The pain depends on “how high Saudi production will go and for how long."

Price war drives Canadian oil sands crude below $8

(Bloomberg; March 19) - In the oil-price war between Saudi Arabia and Russia, the first big victim is likely to be Canada. Hit by unfettered supply from the world’s top two crude exporters and reduced demand as a result of the coronavirus, the benchmark blend of crude produced from Canada’s oil sands plunged to a record low of $7.47 a barrel on March 18. The fallout: Virtually every barrel of oil produced there will come at a loss.

The losses could spur a stark turnaround for a country that boasted one of the strongest economies in the Group of Seven heading into the crisis and for Alberta, a province that’s long balanced its budget on the back of oil royalties. The region was already struggling with a pipeline capacity shortage that curbed production growth. The latest blow could spark a “domino effect” across governments, said Dinara Millington, vice president of research at the Canadian Energy Research Institute.

“We are probably going to see another wave of layoffs,” Millington said. “We will see a reduction in … how much the producers are paying” in taxes and royalties. The distance from the oil sands to U.S. Gulf Coast refineries (with insufficient pipeline capacity to get there) forces Canadian producers to sell crude at a discount to compete with U.S. shale supplies. Making it worse, the Canadians can’t turn production on and off as nimbly as producers in Texas. Quirks of oil sands production limit how much they can throttle back money-losing output without raising the risk of permanent damage to their resources.

Analyst sees oil recovering to $30-to-$40 range after virus subsides

(Gulf News; March 21) - Oil prices could find themselves going as low as $10, eventually recovering to find support at a range of $30 to $40 as the COVID-19 outbreak starts to slow down. “With the additional quarantines that are now being put in place in Europe, this could see oil demand losses of up to 10 million barrels per day, which is unprecedented and something I have never seen in 13 years as an oil analyst,” said Bjornar Tonhaugen, head of oil markets at Norway-based Rystad Energy.

“Oil prices unfortunately might go down below $20 a barrel and maybe down to $10 depending on the situation,” he said. Tonhaugen said oil prices would struggle to find room for support with quarantine and lockdown measures likely continuing throughout April. “It’s all about how low will demand be and for how long, it’s not the virus itself but rather the containment measures that are being put in place that is affecting demand.”

Tonhaugen said prices could recover to as high as $40 once containment measures begin to ease as the virus begins to slow down. “We can hope that OPEC, maybe without Russia, can resume a production output deal around July, once they have more clarity on demand and with the worst of the coronavirus over by then. If that happens, oil prices can recover back to the $30 to $40 range. … Getting back to the $50 range I think we will have to wait for a longer period,” he said. The price crash in the long term could bring U.S. producers to the table with OPEC and Russia in an effort to regulate global oil markets, he said. “I think that’s the only way to actually restore balance.”

Putin ‘known for not submitting to pressure’

(Bloomberg; March 19) - Russian President Vladimir Putin will refuse to submit to what the Kremlin sees as oil blackmail from Saudi Arabia, signaling the price war that’s roiling global energy markets will continue. The clash between the two giant exporters — and former OPEC+ allies — threatens to push the price of a barrel below $20, but Moscow won’t be the first to blink and seek a truce, said people familiar with Putin’s position.

Russia has spent years building reserves for this kind of crisis, and while it didn't expect the Saudis to trigger a price war, sources said, the Kremlin so far is confident it can hold out longer than Riyadh. "Putin is known for not submitting to pressure," said Alexander Dynkin, president of the Institute of World Economy and International Relations in Moscow, a state-run think tank. Putin has proved ready for hard competition "to protect national interests and to keep his political image as a strongman," Dynkin said.

Putin is not someone who gives in, even if the fight brings significant losses, said one person. The world oil market is watching and waiting to see if Russia or Saudi Arabia will balk at the painful price slump and call a truce. The losses are already visible for Russia, weakening its currency and potentially putting the nation on course to a recession. The state budget, which is based on oil prices of just above $40 per barrel, may be in deficit this year, forcing the government to tap its sovereign-wealth fund. The Kremlin is still open to cooperation with OPEC, but on its own conditions.

U.S. considers intervening in Saudi-Russia oil war

(Wall Street Journal; March 19) - The Trump administration is considering intervening in the Saudi-Russian oil war with a diplomatic push to get the Saudis to cut production and threats of sanctions on Russia, according to people familiar with the effort. The strategy follows lobbying from U.S. producers asking for the administration to ramp up its diplomatic intervention in oil markets, sources said.

The administration is looking broadly for ways to help the U.S. oil and gas industry as dozens of producers now face bankruptcy after a 60% fall in oil prices tied to shrinking demand amid a global pandemic. Administration and industry officials see U.S. diplomatic action as necessary to get Russia and Saudi Arabia to back down from flooding the markets with supply. The two countries earlier this month ended a three-year pact to limit production and stabilize prices.

The U.S. would ask the Saudis to return to their lower production levels from before the OPEC-Russia deal fell apart, according to one administration official. The administration could use the threat of sanctions on Russia as part of its engagement with Saudi Arabia to assure the kingdom that its rival Russia won't easily benefit from Saudi cutbacks, the administration official said. U.S. benchmark crude prices rebounded 24% on March 19, just one day after a plunge that was the second-largest one-day decline since 1991. Even the rebound put prices at just $25.22 a barrel, still near 20-year lows.

Russia blames Saudis and OPEC for oil collapse

(Reuters; March 22) - Russia never sought a sharp drop in oil prices or an end to cooperation with the Organization of Petroleum Exporting Countries, and the Gulf nations are to blame for the oil crisis, a senior Russian official said. In early March, Russia and OPEC failed to agree how much to cut oil production. OPEC wanted to deepen the cuts while Moscow proposed extending existing curbs. The disagreement came at a time when global demand was slumping due to the coronavirus pandemic.

"(The) Russian position was never about triggering an oil prices fall. This is purely our Arab partners' initiative," Andrei Belousov, Russian first deputy prime minister, was quoted by Russian news agency TASS on March 21. Belousov reiterated that Russia had proposed to extend the existing curbs by at least one more quarter and potentially until the end of 2020. "But (our) Arab partners took a different stance," TASS quoted him. Belousov believes that oil prices will balance at around $35 to $40 per barrel.

Igor Sechin, head of Russia's top oil producer Rosneft, has always opposed a longer-term deal with OPEC to curb production, saying it allows non-members such as the U.S. to increase their market share at expense of those cutting supply.

Texas oil regulator says state should consider limiting production

(Reuters; March 20) - Texas should consider production limits for oil companies in an effort to stabilize crashing prices, one of three commissioners at the state's oil and gas regulator said March 20. With U.S. oil prices down more than 60% this year in the face of falling demand from the coronavirus and a price war between Saudi Arabia and Russia, oil executives and regulators are reaching out to the Trump administration to float the idea of cutting Texas oil output 10%, said Ryan Sitton, one of the three elected members of the Texas Railroad Commission, which regulates oil and gas in the state.

The hope is that President Donald Trump could negotiate with Saudi Arabia and Russia and convince them to match the cut, Sitton said, adding that the aim was to "help the president get a deal done." Texas has not limited oil production since the early 1970s, but regulators have the authority to do so. Parsley Energy and Pioneer Natural Resources are among the independent oil and gas companies that want Texas regulators to consider setting limits on how much oil large firms can send to market.

Saudi Arabia has chartered about half a dozen supertankers to ship up to 12 million barrels of its crude to the U.S. Gulf Coast, as it escalates its fight with Russia for market share. The coming flood of supply from Saudi Arabia and other producers could result in the largest surplus of crude in history, said global energy consultancy IHS Markit. The Texas oil and gas regulator imposed limits on producers in the 1930s to try to prop up prices and again decades later. It was a model for the creation of OPEC.

Goldman says U.S. oil output could fall 1.3 million barrels per day

(Reuters; March 19) - Continental Resources and Diamondback Energy on March 19 unveiled drastic cuts to their annual budgets as oil and gas producers struggle to cope with the recent plunge in oil prices. North American shale producers have cut planned expenditures between 25% and 55%, on average, as crude prices have plummeted to two-decade lows following a slump in demand due to the coronavirus outbreak and an expected surge in supplies after Russia and Saudi Arabia pledged to pump full bore.

The twin blows could cause U.S. production to fall by as much as 1.3 million barrels per day over five quarters after the second quarter of 2020, Goldman Sachs said March 18. Shale drilling has driven U.S. output to a record of nearly 13 million barrels per day, making the nation the world's largest producer, but shale producers have often struggled to deliver investor returns on weak to nonexistent margins.

Continental slashed its budget by about 55% to $1.2 billion. Diamondback said the cut to budget would be about $1.2 billion at the midpoint, to a range of $1.5 billion to $1.9 billion. "We are in an unprecedented and uncertain market driven by fear and panic. In this environment where we do not get paid adequately for the product we produce, we will reduce activity and focus on maintaining our financial strength," Diamondback Chief Executive Officer Travis Stice said.

Global oil demand could drop by 10 million barrels per day

(Reuters; March 20) - Traders and analysts are struggling to revise down their forecasts for oil demand fast enough, as government lockdowns to contain the coronavirus outbreak have rapidly cut global fuel consumption. At the start of the year, forecasters had expected demand to edge up or stay flat. But in the space of a few months or even weeks, the most bearish outlooks seem hopelessly out of date.

"Demand destruction this year depends on how many countries follow an Italian-style lockdown," said Giovanni Serio, head of research at Vitol, the world's biggest oil trader. "If you extrapolate to the rest of Europe and particularly the United States, then you can get as bearish as you like." Based on widespread lockdowns in the Europe but more limited U.S. measures, Serio sees demand falling by more than 10 million barrels per day, equivalent to 10% of daily global consumption of crude of about 100 million barrels.

IHS Markit and Standard Chartered bank have also predicted demand could drop by as much 10 million barrels per day by April. But many analysts are wary of extending predictions for demand beyond a few weeks, given the uncertainty over how long the virus will take to contain and the full extent of its economic impact. "The market must remember that the tsunami of demand losses from the coronavirus will likely be four to five times as large in the second quarter than the flood of oil coming from OPEC+ producers," said Rystad Energy's head of oil markets, Bjornar Tonhaugen.

Canada considering financial package to help oil and gas industry

(The Globe and Mail; March 20) - The Canadian government is preparing a multibillion-dollar bailout package for the oil and gas sector with its unveiling next week, sources said. Federal and Alberta government insiders are saying little about the details — citing the sensitivity of options under discussion — but the oil and gas sector can expect to get more access to credit, especially for struggling small- and medium-sized operations, and significant funding to create jobs for laid-off workers to clean up abandoned wells.

One source said the province is expecting Ottawa to provide C$15 billion in relief to an industry hammered by the COVID-19 crisis and market-share war between Saudi Arabia and Russia that has cratered oil prices and energy company stocks.

As federal-provincial negotiations continued, Alberta oil company CEOs released a letter to Canadian Prime Minister Justin Trudeau — signed by 65 executives — asking for creation of a government program to purchase distressed assets, suspension of the federal carbon tax and income tax at every level, and urging banks to provide no-interest loans and loan guarantees.

Wyoming faces economic challenges in every sector

(Casper Star Tribune; Wyoming; March 18) - Economically, nothing bodes well for Wyoming, where the ink is still drying on a state budget deal from last week that offers little to address an anticipated structural budget deficit of hundreds of millions of dollars — projections in place well before the world economic and oil-price crises hit. While the state's key sectors — oil, gas, and coal — continue to suffer, its other two major sources of revenue — investment income and tourism — now face their own troubled futures.

Tourism, now in its offseason, has yet to see the worst of travel restrictions, but the hit to the state's investment portfolio could present a significant challenge at a time when it pays roughly one-fifth of Wyoming's bills. While Gov. Mark Gordon said this week the state's investment portfolio would withstand the shocks seen by other states, the corpus will very likely go down if current trends persist. With a large savings account and robust oil industry at 300,000 barrels a day, it had been able to weather the economic storm. "We were honestly relying on oil to get us through," said state Sen. Chris Rothfuss.

These problems are big enough that Wyoming lawmakers openly pondered the possibility of a special session to rewrite the budget that lawmakers approved before adjourning March 13. "This really is your perfect economic storm," said Jason Shogren, a University of Wyoming economist. "This is your low-probability, high-severity event." Lessening the worst effects of the downturn will largely be on the shoulders of state leaders, who on March 16 announced creation of five task forces intended to address every aspect of the crisis from health care to small businesses and the financial sector.

Special session likely to deal with New Mexico budget crisis

(Albuquerque Journal; March 19) - With oil prices plunging to their lowest level in 22 years, New Mexico legislators are projecting an imminent budget crisis that's likely to force the Legislature into special session. Sen. John Arthur Smith, chairman of the Legislative Finance Committee, said the state could be facing a $1 billion loss in oil- and gas-related revenue if the crisis continues through this year and into 2021. New Mexico oil producers last year averaged close to 1 million barrels per day, number 3 in the nation.

In a March 19 letter to legislative leaders, Gov. Michelle Lujan Grisham indicated a special session is inevitable but said state officials need to have updated revenue estimates and a better understanding of federal emergency assistance before such a session is called. She said the special session would likely focus on adjusting proposed spending levels for the budget year that starts in July, addressing public health needs and crafting an economic-relief package for workers, businesses and communities.

During the 30-day session that ended last month, legislators based a $7.6 billion spending plan for the 2021 budget year on oil averaging $50 per barrel. But for every $1 drop in price, the state loses an average of about $22 million in direct oil and gas revenue over a year. When the price hit $22 a barrel March 18, Smith said the state could lose between $600 million and $700 million in direct revenue. "We're looking not at 'if' there will be a special session but when," Smith said.

Oil industry should plan for long-term decline in demand

(Houston Chronicle commentary; March 20) - If you follow the oil industry — and if you live in Houston, you do — today's dynamics seem downright nuts. Oil demand is collapsing and surpluses are growing. What's the response of the world's biggest oil producers? Flood the market with more oil. The result is hardly surprising — a crash in oil prices to near $20 barrel. Perhaps more frightening is that the coronavirus crisis is providing a glimpse of the future of falling oil demand, growing surplus and low prices.

Nearly every forecast says a long-term decline in demand is coming. Some say demand could peak within this decade; others put it off until midcentury. But with the threat of climate change growing more dire and the electrification of the economy advancing, the peak and inevitable decline is nonetheless on the way. This collapse in demand should be a wake-up call for an industry whose main product faces a diminishing future.

This latest collapse of oil prices perhaps signals that it's time to pick up the pace in developing new products, whether offshore wind, biofuels or other technologies. These type of transitions are never easy. Leaving behind proven products to try your luck on new ones that may or may not succeed requires real courage. Politicians sometimes say a crisis is a terrible thing to waste, meaning it drives people and institutions to make difficult but needed changes. Maybe for the energy industry this is such a crisis.

Oil-field service companies hit hard by industry cutbacks

(Wall Street Journal; March 17) - Shares of companies that help energy producers get oil and gas out of the ground have become collateral damage in the global oil-price war. Firms that own drilling rigs, manufacture oil-field tools and manage the fleets of pumper trucks that blast open shale wells are caught in the three-way battle for market share between Saudi Arabia, Russia, and the North American oil industry. The coronavirus pandemic's startling destruction of global oil demand doesn't help.

Plunging oil prices portend a steep decline in drilling and dim prospects for contractors and equipment suppliers. Investors, who have suffered years of losses with oil-field service stocks, are in full flight. Global service giants Halliburton, Schlumberger and Baker Hughes have each lost more than half of their stock value since the start of the year. Ditto for rig owners Helmerich & Payne, Patterson-UTI Energy and Transocean.

"With the dramatic moves in oil prices, the near-term outlook for oil-field service companies has become incredibly uncertain," Raymond James analysts wrote in a note to clients on March 13. The cuts came fast and furious. Apache said it would pull all of its rigs out of the Permian Basin in West Texas and curtail activity in Egypt and the North Sea. Ovintiv, formerly Encana, said it would cut loose ten rigs immediately and six more in May. Evercore ISI analysts tallied $2.5 billion of oil-field sales that evaporated in a 24-hour span last week when producers announced austerity measures.

Low prices may force Oklahoma's higher-cost producers to close

(Reuters; March 20) - Oklahoma's oil fields face some of the U.S. shale industry's highest costs, making it a likely first victim of the crash in crude to the lowest prices in 18 years. Oil companies in Oklahoma were laying off workers and slowing activity even before the spread of the coronavirus and the price war between Russia and Saudi Arabia. With prices at $25 a barrel, many may be forced to shut completely. Oklahoma is the fourth-largest producing state in the U.S. at just under 600,000 barrels per day.

It costs on average $48.19 a barrel to produce oil in Oklahoma's SCOOP and STACK shale plays, the highest in the U.S., according to a Deutsche Bank analysis. That is more than $46.54 in North Dakota's Bakken and around $40 in the Permian. Continental Resources, which bet big in Oklahoma, on March 19 cut its 2020 spending plan by 55% to $1.2 billion and said it would cut drilling rigs in the state by more than half.

"As for Oklahoma being hit first with the price collapse, that has a lot to do with relative breakevens and financial decisions of Oklahoma operators," said Bernadette Johnson, vice president of market intelligence for Enverus. The number of producers completing wells in Oklahoma fell to less than 30 this year versus roughly 130 last year, according to consultancy Primary Vision. "Almost everything is unsustainable" at current prices, said Mike Cantrell, former president of the Oklahoma Energy Producers Alliance.

FERC approves Oregon LNG terminal and pipeline

(The Associated Press; March 19) – The Federal Energy Regulatory Commission on March 19 approved a controversial natural gas pipeline and liquefied natural gas export terminal in Oregon with one member saying the environmental impacts are acceptable considering the public benefits from the project. FERC voted 2-1 in favor of approval. Commission Chairman Neil Chatterjee said it is now up to Pembina, the Calgary-based company behind the Jordan Cove project, to obtain all the other necessary approvals. The $10 billion development also needs customers and financing.

Dissenting FERC Commissioner Richard Glick said his colleagues' decision violates the National Environmental Policy Act and Natural Gas Act, fails to consider the impact greenhouse gas emissions will have on climate change, and would significantly impact 20 threatened and endangered species. The state of Oregon has already denied a water quality certification and a dredging permit for the development, and Oregon has determined that the project does not meet its Coastal Zone Management Plan.

Commissioner Bernard McNamee, who voted in favor of the project, said that while FERC considers local and state interests, it is required to consider national interests in making a decision. "After taking the necessary hard look at the project's impacts on environmental and socioeconomic resources, the order finds that the environmental impacts are acceptable considering the public benefits that will be provided," he said.

Reuters reports Exxon likely to delay FID for Mozambique LNG

(Reuters; March 20) – ExxonMobil is likely to delay greenlighting its $30 billion liquefied natural gas project in Mozambique as the coronavirus disrupts early work and a weak LNG market makes investors wary, six sources told Reuters. Rovuma LNG, which will produce from a deepwater block containing more than 85 trillion cubic feet of gas, was expected to get the go-ahead in the first half of 2020. But three sources familiar with the project told Reuters that Exxon’s partners want to push a final investment decision back.

Sources said the pandemic is disrupting work on the project to such a degree that FID before the second half of 2020 is unlikely. Any delay would leave the Exxon-led project further behind rival Total, which took FID last June on its own Mozambique venture. “COVID-19 is affecting guys going into Mozambique, it’s affecting Chinese and Korean financiers, and clearly you’ve had the arse drop out of the oil market,” said a source with knowledge of the Exxon-led project.

The global pandemic is also causing delays to financing needed for the project, a source said. Rovuma LNG is managed by a joint venture owned 35.7% each by Exxon and Eni, with the remainder held by China National Petroleum Corp. The coronavirus pandemic is forcing delays to projects worldwide. Qatar, the world’s largest producer of LNG, is delaying a big expansion in which Exxon is a major partner. Energy firms worldwide have slashed spending this month as oil prices plummeted to 18-year lows after global travel curbs and reduced economic activity destroyed demand.

Coronavirus could upend life in remote oil sands work camps

(Bloomberg; March 20) - As if the market crash threating their jobs wasn’t stressful enough, workers in Canada’s oil sands are bracing for the coronavirus to upend life in the remote camps where they’re lodged. One suspected case among them is already haunting roughnecks who fly in from across Canada and live for weeks in barracks-like facilities built in the boreal forests and marshes of northern Alberta, which houses the world’s third-largest crude reserve.

A widespread infection afflicting a workforce that grapples with long hours of physical labor in punishing cold would also be a blow to producers already reeling from the fallout of the oil-price war between Russia and Saudi Arabia. And it would disrupt what’s set to be the industry’s heaviest maintenance season in five years. Thousands of temporary workers will be needed as producers Suncor Energy, Canadian Natural Resources and others shut down equipment for repairs.

Anxieties already are running high among workers, who often have their own rooms but share restrooms and cafeterias, providing many opportunities for the virus to spread. “Most of the discussions in the lunchroom are based on what’s going on with the virus, what’s going on medically, what’s going on financially, how bad are the markets?” said a 43-year-old who lives in a camp for Canadian Natural oil sands crews. “Are we going to get stuck here? Are there going to be flights home? Will we have jobs to come back to?”

Guyana and its oil deal still wait on election results

(New York Times; March 18) - They are the odd couple of the global oil patch: Guyana is a poor former British sugar colony. ExxonMobil is America's largest oil company. They came to depend on each other after a series of extraordinary oil discoveries off Guyana's coast transformed the small South American country's fortunes and boosted the oil company's assets at a time when its fortunes were flagging elsewhere.

But just as Exxon began to sell the first cargoes of oil earlier this year, it found itself at the center of the country's biggest political crisis in decades. After a bitterly contested — and still unresolved — election March 2, many Guyanese are questioning whether the oil giant's deal with their country, struck under the current government, is fair, and whether the oil proceeds will be equitably shared. The opposition party fears not.

The discoveries have exacerbated the country's entrenched ethnic divisions and raised questions about whether Guyana is prepared to navigate the rocky transition from an economic backwater reliant on bauxite mining and sugar into a top oil producer, all the while safeguarding the welfare of its people. "We've got a lot of soul searching as a country to do," said Nicholas Deygoo, head of Georgetown's chamber of commerce.

"We've read about so many oil countries where it's gone wrong. Everyone is being very cynical," Deygoo said. The March elections will determine which of Guyana's two main political parties will get to control the country and its looming oil revenue. The outcome remains undecided, even after the nation's top judge ordered a partial recount.