Oil and Gas News Briefs
Compiled by Larry Persily
May 19, 2020

Just one fracking crew still at work in North Dakota

(Billings Gazette; Montana; May 17) - With production and employment falling rapidly, North Dakota's oil industry is enduring historically bleak times. The number of drilling rigs in North Dakota — a measure of employment and a harbinger for future oil production — is at a low not seen in the fracking era, Lynn Helms, director of the state's Mineral Resources Department, said in a conference call with reporters May 15.

The active rig count, which was in the 50s during the first three months of this year, fell to 35 in April and sits at 12 today — "a massive decline," Helms said. It's expected to drop below 10, he added. The peak active rig count was 218, back in May 2012. Drilling new wells is a major source of jobs in North Dakota's oil industry, and so is fracking, the injection of torrents of water, sand and chemicals to break open the rocks in those wells. There were 25 fracking crews operating in North Dakota in March. Today there is one working crew. "That is not a pretty picture," Helms said.

The state is forecasting production in the "950,000 (barrels per day) range" in April, Helms said, a 33% decline from March and the lowest since 2016. Jobless claims in North Dakota's oil patch have been disproportionately much higher than for the state as a whole. As of the week of May 9, some 7,633 workers in the petroleum and mining industry had filed for unemployment benefits — 36% of that sector's average workforce in 2019, according to data from North Dakota Job Service.

Bloomberg reports China's oil demand almost back to year-ago levels

(Bloomberg; May 18) - China's oil demand is all but back to levels last seen before Beijing imposed a national lockdown to fight the coronavirus outbreak, according to people with inside knowledge of the country's energy industry. China is the world's second-largest oil consumer, behind only the U.S., and its quick turnaround has helped tighten the global oil market sooner-than-expected. West Texas Intermediate crude, which a month ago plunged into negative prices, surged past $30 a barrel on May 18.

In a remarkable turnaround after Chinese demand crashed by about 20% as the country went into lockdown in February, consumption of gasoline and diesel has fully recovered as factories reopen and commuters drive rather than use public transport, according to the sources. Pinpointing the exact level of Chinese oil demand in real time is a difficult exercise, but executives and traders who monitor the country's consumption said it was at about 13 million barrels a day, just shy of the 13.4 million barrels a day of May 2019 and 13.7 million barrels a day in December 2019.

Gasoline and diesel are leading the recovery in China as commuters prefer the safety of their own cars, rather than using public transport. Diesel demand is also recovering strongly as Beijing encourages farmers to plant more to guarantee that the country's food security and industrial consumption recovers. The International Energy Agency, which publishes closely watched supply and demand estimates, is far more pessimist about Chinese consumption. In a report last week it predicted the country will consume less oil every month for the rest of the year than it did during the same period of 2019.

U.S. shale oil output forecast to decline to August 2018 level

(Reuters; May 18) - U.S. crude production from seven major shale formations is expected to fall by a record 197,000 barrels per day in June to 7.822 million barrels per day, the U.S. Energy Information Administration said in a monthly report May 18. The shale oil output would be the lowest since August 2018, according to the agency's data.

U.S. production from shale formations has more than doubled since 2013, lifting the country's overall oil output to record highs. Producers have throttled back production since March as prices have crashed due to oversupply and a sharp drop in demand due to the coronavirus outbreak. In June shale oil output is expected to drop in each of seven major shale regions, with the largest drop of about 87,000 barrels per day in the Permian Basin of Texas and New Mexico. Overall output in the Permian, the largest producing shale region, is expected to fall to about 4.29 million barrels per day in June.

U.S. demand for petroleum products starts recovery

(Reuters; May 17) - U.S. petroleum consumption has started to rise as the economy emerges from lockdowns imposed to control the spread of the new coronavirus, giving the oil industry hope it has come through the lowest point in the cycle. Similar recoveries in fuel consumption are expected at varying rates across the world's other major economies as they gradually emerge from lockdown and are likely to push the oil market into a supply deficit in the third quarter — though there is plenty of oil in storage.

In most cases, the recovery in global petroleum demand is expected to be led by middle distillates, such as diesel as the manufacturing, construction, and freight transportation sectors return to work. Gasoline consumption will increase with some diversion of travel from public transport to private motor cars for health concerns, but with the overall gain in demand limited by the loss of leisure-related travel.

If the major economies continue their progressive exit from lockdowns, the decline in global oil consumption should be down 12 million to 15 million barrels per day by the end of June from as much as 25 million to 30 million barrels per day in early April. By the start of July, global oil consumption should exceed production, assuming OPEC+ members continue to restrain their output and U.S. shale production continues to decline as a result of low prices. In this scenario, global petroleum inventories will peak in the second quarter and start to draw down significantly during the third quarter.

Houston LNG developer again postpones investment decision

(Houston Chronicle; May 18) – Houston-based NextDecade, which wants to develop a liquefied natural gas export terminal, Rio Grande LNG, in the Port of Brownsville, Texas, has delayed a final investment decision to 2021. The company blamed the coronavirus pandemic for reducing demand and prices for the fuel. Awarded federal authorization in November, the company had planned to make a final investment decision during the fourth quarter of 2019 and then during the first quarter of 2020. Just last week NextDecade said it still planning to make an investment decision sometime in 2020.

On the financial side, NextDecade has no revenue because the company has no active projects. The company reported May 18 a $2.6 million loss during the first quarter, an improvement over the $17.6 million loss one year prior. The company started the second quarter with $58.3 million of cash reserves that are expected to keep it going through next year. The project has sold less than 10% of its full production capacity and wants to get closer to 50% before making an investment commitment. Market issues aside, the project LNG faces stiff opposition and legal challenges from a coalition of shrimpers, fishermen, environmentalists, Native Americans, and community groups.

U.S. Export-Import Bank reaffirms loan for Mozambique LNG project

(Bloomberg; May 18) - President Donald Trump’s sparring with China is playing out in an unlikely new arena: northern Mozambique, one of the world’s poorest countries. The Trump-appointee-dominated U.S. Export-Import Bank on May 14 approved the broadened scope of a $4.7 billion loan to back American suppliers for a liquefied natural gas development that could transform the southeastern African nation’s economy. The bank said China and Russia had both been considering help to finance the project.

“We were told that China and Russia were slated to finance this deal,” Kimberly A. Reed, the Exim Bank’s president, said in a statement. The Exim Bank helps foreign companies buy American products when private lenders won’t provide financing with one of its goals being to “advance the U.S.’s comparative leadership in the world with respect to China.” Anadarko, based in, Texas, initially led the Mozambican project that was later sold to French major Total. U.S. companies including McDermott International have been awarded contracts worth billions of dollars to help build the facility.

China has an established presence in Mozambique. It funded and built Africa's longest suspension bridge in the nation's capital, and has invested in a massive conference center and hotel there. Russia has made recent inroads, winning oil and gas licenses, and reportedly supplying mercenaries to beat back insurgents operating in the vicinity of the gas project. Total's project is the smaller of two ventures that aim to tap the nation's gas reserves. The other is led by ExxonMobil. Its partners include China National Petroleum Corp., which could complicate any bid for U.S. Exim financing of its own.

China's domestic producers plan to expand natural gas output

(Reuters; May 14) - China's top energy producers will expand their natural gas output this year by twice as much as in the previous oil rout even as they slash spending due to collapsing oil prices, company officials and analysts said. The world's top energy consumer is forecast to expand its gas production by 5% or more in 2020 despite plans for deep spending cuts that will likely curb oil output, they said. That would be half the growth in 2019 but double the 2.2% growth seen in 2016 following a lengthy oil slump.

As the country's oil and gas trio plan double-digit spending cuts, they are prioritizing gas development at home, including drilling new wells and in particular working to boost production from shale gas fields. "Under the capital expenditure cuts, companies are revising their gas strategy from an earlier aggressive push to a more practical approach, as gas production remains profitable," said Zhu Kunfeng, Beijing-based associate director at IHS Markit.

PetroChina, Sinopec and CNOOC said in April they would reduce spending by 20% to 30%, similar to cuts they made in the last oil rout in 2015-2016. Against this backdrop, China's main energy firms are focusing on developing gas, while decreasing overseas spending on costly projects such as oil sands and shale gas in North America. The rise in gas output would also help offset some of the hefty losses the firms incur from paying high prices for imported gas that they have to sell at a loss under China's price controls.

New Chinese company plans its first LNG import terminal

(Reuters; May 16) - A new liquefied natural gas terminal project has broken ground in Yantai, Shandong Province, China's National Petroleum and Natural Gas Pipeline Network Group said in a statement May 16. The project is the first energy infrastructure project PipeChina has built since the company was set up in December last year.

The new project for receiving imported liquefied natural gas, jointly built with Nanshan Group, is designed to receive 20 million tonnes of LNG per year with 20 gas-storage tanks each with capacity of 220,000 cubic meters, the company said. That is equal to almost 5 billion cubic feet of natural gas after the LNG is warmed up to a gaseous state. Phase one of the project, at 5 million tonnes, is expected to launch in 2023, it said.

European oil majors steer toward investment in renewables

(Reuters; May 18) - Europe’s top oil and gas companies have diverted a larger share of their cash to green energy since the coronavirus outbreak in a bet that the global health crisis will leave a long-term dent in fossil fuel demand, according to a Reuters review of company statements and interviews with executives. The plans of companies like Shell, BP, and Total are in step with the European Union’s move toward to a lower-carbon economy and away from a reliance on oil, and reflect the region’s widening rift with the U.S., where the government and top drillers are largely still committed to oil and gas.

Europe’s top five producers — BP, Shell, Total, Eni, and Equinor — are all focusing their investment cuts mainly on oil and gas, giving their renewables and low-carbon businesses a relative boost, according to Reuters calculations. Company executives and investors say they expect fossil fuel demand to peak earlier than previously thought. At the same time, the EU is expected to focus economic stimulus efforts on green-energy infrastructure to further align it with the ambitions of the Paris agreement to fight climate change, making investments in the sector more attractive.

Shell CEO Ben van Beurden told reporters in an April 30 conference call he wants to “spare” the company’s New Energy division, which is focused on renewables and low-carbon technologies, from the worst of its budget cuts. “We still believe there is an energy transition underway that may pick up speed in the recovery stage and we want to be well-positioned,” he said. Total’s president for gas, renewables and power said in an interview with French paper Le Figaro on May 6, “Our future is more and more low-carbon sales, more and more electricity business, more and more renewables.”