Oil and Gas News Briefs
Compiled by Larry Persily
July 31, 2023

Venezuela flares or vents more than half its gas production

(Hart Energy; July 27) - Venezuela continues to flare or vent more than half its natural gas production, mainly due to infrastructure limitations, burning off or venting more than 2.2 billion cubic feet per day. The volume is greater than the output from one of the largest U.S. LNG export plants: Freeport LNG's three-train, 15 million-tonnes-per-year facility in Texas. The OPEC country also continues to lose gas through leakage.

The lost volumes are due to a combination of historically low oil production and low gas injections to maintain reservoir pressure, coupled with a lack of infrastructure to capture and monetize the gas, experts from consulting firm Gas Energy Latin America, Antero Alvarado, Luis Marin and Aidemiro Valera, said July 21 at a presentation in Caracas.

Gas Energy expects Venezuela's gas production to average around 4 bcf per day in 2023, while volumes estimated to be flared, vented or lost through leakage are expected to amount to 53% of total production. Historically in better economic times, the country and its state-owned company Petróleos de Venezuela would reinject significant gas volumes to maintain reservoir pressures. However, those better times are behind the country and company due to years of mismanagement, widespread corruption and a lack of foreign direct investment from international oil companies.

Chevron, Exxon both plan to reach 1 million barrels a day in Permian

(S&P Global; July 28) - Chevron's Permian Basin output engine steamed ahead in second-quarter 2023, rising 5% to a record 772,000 barrels a day of oil equivalent as its top executive said that output from the play would be "roughly flat" in July through September but would resume its climb in the year's closing months. The same day, ExxonMobil, another Permian heavy hitter, said it had just a 1% boost in Permian production during the second quarter. Its CEO said his company is maximizing overall recovery instead of focusing on short-term initial production rates.

Despite their differing growth paces, both companies plan to reach 1 million barrels per day of oil equivalent from the basin respectively in the next four years — ExxonMobil by end-2027 and Chevron a little sooner, according to their presentations. "Over the next five years, we expect to develop over 2,200 net new wells, growing production while delivering return on capital employed near 30%," Chevron CEO Mike Wirth said July 28. "Longer term, we've identified well over 6,000 economic net well locations that support a plateau greater than 1 million barrels per day through the end of next decade."

ExxonMobil also is also optimizing its large position in the Permian, the largest U.S. oil reservoir with current total oil production around 5.6 million barrels per day and natural gas output of 16.5 billion cubic feet per day, according to S&P Global Commodity Insights data. ExxonMobil produced 620,000 barrels per day in Q2 from the basin. The company is drilling horizontal wells with record 17,500-foot laterals, ExxonMobil CEO Darren Woods said during his company's earnings conference call July 28.

Oil prices up fifth week in a row

(CNN; July 28) - Global oil prices have gained more than 16% since late June and achieved their fifth-straight week of gains, the longest rally since before Russia's full-scale invasion of Ukraine upended energy markets. The price of Brent crude, the global benchmark, closed just over $84 a barrel on July 28, up about 4% for the week. The winning streak is the longest since February 2022.

Fears of a global recession have swirled for months and a lackluster economic recovery in China had weakened prospects for energy demand — so why are oil prices climbing? According to the International Energy Agency, global demand is expected to rise by 2.2 million barrels per day to a record 102 million this year. But production is forecast to rise by only 1.5 million barrels per day to 101.5 million, the IEA said in a report this month.

That supply gap has been exacerbated by production cuts by OPEC+. "The recent price uptick has been driven primarily by OPEC+'s voluntary production cuts announced in April," Giovanni Staunovo, a strategist at investment bank UBS, told CNN. Staunovo said additional voluntary cuts announced by Saudi Arabia — the world's biggest exporter of crude oil — earlier this month would further tighten oil markets. Meanwhile, markets are reassessing their earlier gloomy forecasts for oil demand.

Saudi Arabia expected to extend oil-supply cut into September

(Bloomberg; July 27) - Saudi Arabia is expected to extend its 1 million-barrel oil supply cut into September as it seeks to encourage a tentative recovery in crude prices. Riyadh introduced the additional cutback in July — on top of output curbs it was already making with fellow OPEC+ producers — to shore up markets against a fragile economic backdrop. The measure already has been extended into August, and 15 of 22 traders, analysts and refiners surveyed by Bloomberg predict it will continue into September.

Oil prices have climbed about 12% in the past month to about $84 a barrel in London as recovering global fuel consumption and coupled with output restraint by the Organization of Petroleum Exporting Countries engineer a long-awaited tightening of world markets. But prices may still be too low for Saudi Arabia, which needs $100-a-barrel crude to finance ambitious spending plans, according to Bloomberg Economics.

“The kingdom will want to see a protracted rise toward $90 a barrel and possibly improvement in Chinese economic data to start considering putting the 1 million barrels per day back into the market,” said Tamas Varga, an analyst at brokers PVM Oil Associates in London. The supply shortfall in global oil markets is expected by many forecasters to deepen markedly in the months ahead. The International Energy Agency, which advises major economies, sees a shortage of about 1.7 million barrels a day during the second half of the year.

Norway’s Equinor looks to maintain strong North Sea oil production

(S&P Global; July 26) - Norway's Equinor is looking at a Johan Sverdrup Phase III project to keep production at the giant North Sea field at current high levels around 755,000 barrels per day, it confirmed July 26, as the company takes on more shipping capacity to handle additional oil. The state-controlled company reported a 12% year-on-year rise in its Norwegian oil output in the second quarter on the back of the ramp-up of Phase II at Johan Sverdrup, which started up in December 2022.

Sverdrup, which first came on stream in 2019, now accounts for around a quarter of all oil produced in the otherwise declining North Sea region. The crude, which is relatively heavy and sulfurous, has met with exceptional demand due to sanctions on Russia and its Urals crude. Equinor had already talked about a potential Sverdrup Phase III and the new comments from Chief Financial Officer Torgrim Reitan confirm that intention.

In May, Equinor said successful tests on the Phase II facilities meant it could keep Sverdrup production close to 755,000 barrels for an undetermined period. "We are already thinking about Johan Sverdrup Phase III. … The whole purpose of that is to capitalize on the existing infrastructure and to prolong this plateau of 755,000,” Reitan said. Sverdrup reserves are estimated by Equinor at 2.7 billion barrels.

Little progress in Russia’s quest for new energy deals in Africa

(S&P Global; July 27) - Russia's invasion of Ukraine has led to changes in its energy cooperation with African countries — once touted as a priority target for future upstream investment. Western sanctions are making energy partners and markets, including Africa, increasingly important for Russia. Russian officials are preparing to meet their African counterparts at the Russia-Africa Summit in St. Petersburg July 27-28, after several Russian delegations visited African countries to discuss increasing cooperation.

Russia's energy relationship with Africa has changed significantly since the first Russia Africa summit in 2019, when deals signed on upstream oil and gas exploration, refining and marketing targeted an increasing Russian presence in Africa. Since then, the Russian mercenary group Wagner has increased its involvement in African commodities production, supply and sales, but there has been little progress on new projects involving Russian oil companies.

"I don't think we can speak of any tangible improvements in Russia's energy footprint in Africa since either the last Russia/Africa summit of 2019 or the all-out invasion of Ukraine in 2022," Paris-based international financial crime analyst and Russia expert George Voloshin said. Russia's current economic woes are not conducive to increasing its economic stakes across Africa, he said. It is spending significant amounts on the war, and sanctions have hit one of its key revenue streams — oil exports. The war's cost is threatening Russia's ability to invest in capital-intensive long-term energy projects.

Russia continues finding traders to take its sanctioned oil

(Wall Street Journal; July 28) - Russia has struck deals to sell much of its petroleum output to a group of previously little-known oil traders, locking in a stream of cash from its lifeblood industry. State-controlled giant Rosneft Oil in recent weeks wrapped up one of its largest tenders in years, people familiar with the sale said. A tender is a type of auction in which traders bid for the right to export oil in the future. In this case, the contracts are for up to 12 months and involve crude and refined products, sources said.

It couldn't be learned the exact amounts of oil sold nor the prices. But the success of the tender adds to signs that the financial squeeze on Russia from sanctions is abating. The price of Russia's main grade of crude has risen above a Western-imposed cap in recent weeks. The tender results cement the role of upstart trading houses as vehicles for Russian oil to reach new markets. The companies rose to prominence after Russia's war on Ukraine, filling a hole left when the world's largest merchants pulled back.

Among the biggest winners in the tender was Bellatrix Energy, the people familiar with the sale said. According to registration documents, the company was incorporated in Hong Kong. Also taking large volumes of Russian petroleum were trading groups Amur and Tejarinaft, both registered in the United Arab Emirates. The traders perform a vital role for Rosneft and other Russian producers, handling the complex logistics needed to move millions of barrels of petroleum daily to overseas buyers.

TC Energy sticks with recent cost estimate for delayed B.C. gas line

(The Canadian Press; July 28) - TC Energy remains on track to complete the Coastal GasLink pipeline by the end of this year without further escalation in construction costs, the Calgary-based company said July 28. The update is a welcome one for TC Energy, which has been under significant scrutiny from investors and credit rating agencies for its heavy debt load as well as for the spiraling costs of Coastal Gas Link, a 416-mile pipeline spanning northern B.C. that will carry natural gas to the LNG Canada export terminal under construction in Kitimat, British Columbia.

The company was recently downgraded by both DBRS Morningstar and Moody's, in part due to the ballooning costs of the project, which has been dogged by unexpected construction issues and rising labor costs. Over the course of the project, the pipeline's construction has also attracted opposition and protests from environmentalists and Indigenous leaders. While many Indigenous groups along the project's pathway support the line, the hereditary Wet'suwet'en chiefs, whose territory the pipeline crosses, do not.

In February, TC Energy raised the estimated price tag to C$14.5 billion, up significantly from a previous estimate of C$11.2 billion and more than double the initial cost estimate of C$6.2 billion. TC Energy Executive Vice President Bevin Wirzba said the company is managing the challenges and the project is more than 90% finished. He said TC Energy is reaffirming its completion target for the end of 2023 and its most recent cost estimate.

Pipeline work in Minnesota breaches aquifer

(Associated Press; July 28) - A fourth aquifer breach has been confirmed in northern Minnesota stemming from a Canadian company's construction of a replacement oil line in the region, state officials said. Officials with Enbridge and the state Department of Natural Resources confirmed the breach occurred near Moose Lake in Aitkin County. Officials said Enbridge is working to fix the rupture, in which the layer of earth above an aquifer is pierced, causing water to leak to the surface, possibly introducing pollutants.

The aquifer breaches don't involve the 36-inch pipe itself; it stems from sheet-metal piling driven into the ground to reinforce the trenches that crews work in when installing the pipe. It's the fourth confirmed breach along the 1,100-mile Line 3 pipeline route. Work on the replacement project, estimated at almost $3 billion, started in 2017 in Wisconsin. The project generated fierce opposition from environmental activists and Native American tribes. Last October, Minnesota regulators said Enbridge would pay more than $11 million for water quality violations and three previous aquifer breaches.

An aquifer is a natural underground reserve of fresh water capable of being tapped by wells. Environmentalists say such groundwater reserves face a multitude of threats from human populations, including depletion from overuse, pollution from agriculture and septic systems and contamination from pipeline construction and spills. Groundwater at the Moose Lake breach is flowing to the surface at about 10 to 15 gallons per minute, department officials said. That's "considerably lower" than the rate at which groundwater initially flowed from the other three breaks, the agency said.

Qatar expected to sign $9.4 billion shipbuilding deal for LNG carriers

(The Korea Economic Daily; July 27) - South Korea's top three shipbuilders — HD Hyundai Heavy Industries, Hanwha Ocean and Samsung Heavy Industries — as early as September will conclude a massive deal to build liquefied natural gas carriers for Qatar worth as much as 12 trillion won ($9.4 billion). Industry sources on July 26 said shipping companies getting orders from Qatargas, a subsidiary of the public oil company QatarEnergy, plan to sign contracts between September and October with the three shipbuilders to build about 40 LNG carriers.

Samsung is expected to receive the most orders with 16, followed by Hanwha Ocean with 14 and HD Hyundai with 10 ships. The shipbuilders are in last-minute talks with the shipping company on details such as contract amount and construction conditions. “The three shipbuilders cleared out their docks in advance to build LNG carriers from the second half of the year,” an industry source said.

This is the second such deal with Qatar following the first signed in 2021, which comprised 54 ships. The price tag of this new deal is expected to exceed the 2021 contract, which averaged $215 million per carrier. The London-based shipping industry observer Clarkson Research said the cost of a new LNG carrier is about $260 million.

Korea questions Australia’s emissions policy risk to gas projects

(Bloomberg; July 28) - South Korea became the latest country to express concerns that Australia’s new emissions reduction policies could pose a risk to gas projects. Korea’s Ministry of Trade, Industry and Energy said it has asked Australia to exclude planned gas investments from rules that will make new projects subject to stricter climate targets. It said Trade Minister Lee Chang-yang raised the issue during a meeting with Australian Climate Change and Energy Minister Chris Bowen in Seoul earlier this week.

Earlier this year, Australia passed legislation that will require the nation’s largest polluters to make additional cuts to their emissions over time. It requires new gas fields to fully offset emissions as soon as they begin production, threatening to boost costs for those operations. Australia’s fossil fuel buyers argue that the government’s efforts to safeguard domestic resources and cut pollution could disrupt projects and threaten energy security in Asia which relies on Australia for much of its liquefied natural gas.

Japan’s government has repeatedly expressed similar concerns, including to Australian officials, in recent months. JERA, Japan’s top gas importer, has a stake in the Barossa natural gas project that’s already in development off northern Australia. SK E&S, a South Korean company, has a 37.5% stake in Barossa, which is 50% controlled by Adelaide-based Santos. The field has higher carbon dioxide content than other projects across the country, and Australia’s new regulations could increase the price of the gas.

FERC rule will speed up grid connections for new energy projects

(Energy Wire; July 28) - The Federal Energy Regulatory Commission approved a major new rule July 27 to accelerate the connection of energy projects to the power grid, a move that could ease widespread delays stifling renewable energy. The final rule aims to make the grid connection process more efficient at a time of unprecedented growth in clean energy development nationwide. Calling the decision “historic,” FERC acting Chair Willie Phillips said the rule will make the electric system more reliable by helping energy projects come online faster. All four commissioners voted for the plan.

There are over 2,000 gigawatts of proposed solar, wind and battery storage projects seeking to come online through what’s known as the interconnection process, according to Lawrence Berkeley National Laboratory. That’s more than the electric capacity of all of the power plants on the nation’s grid today. The sheer volume of proposed projects has overwhelmed the longstanding grid connection process. It took an average of five years for new electricity projects that were built last year to be studied and approved for connection, compared to less than two years in 2008, Berkeley Lab has estimated.

Although it’s common for some energy projects to be canceled before they’re approved to connect, clean-energy developers say the connection process has become a major impediment to meeting states’ renewable energy policies and realizing the goals of last year’s Inflation Reduction Act. With the new FERC rule, grid operators and utilities will need to change how they study energy projects and will be subject to firm deadlines and penalties if they fail to process connection requests on time.

Industrial gas manufacturer will build blue hydrogen plant in Texas

(Beaumont Enterprise; Texas; July 28) - Within the next few months, Southeast Texas will begin to see signs of construction on a $1.8 billion complex to produce hydrogen, nitrogen and oxygen. Linde, a global industrial gas and engineering company, will build its Clean Hydrogen Project in Beaumont. The complex will be integrated into Linde's existing Gulf Coast industrial gas infrastructure.

The facility will supply hydrogen and nitrogen to OCI's blue ammonia plant in Beaumont, according to Linde. The hydrogen project, which will use natural gas, will sequester more than 1.7 million tons of carbon dioxide emissions each year. Producing hydrogen from gas is referred to as "blue hydrogen" as opposed to “green hydrogen” which uses renewable energy to split water molecules and make hydrogen. "We are able to capture most of that carbon, and that's what makes us low carbon intensity,” according to Linde.

Construction is expected to begin early in the fourth quarter of 2023 and be completed by the end of 2025, according to the company.