Oil and Gas News Briefs
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October 9, 2023

U.S. oil industry could be headed to consolidation

(Wall Street Journal; Oct. 7) - The U.S. oil industry could be on the cusp of consolidation that would deliver a band of unruly shale frackers into the hands of a few old-guard producers. ExxonMobil is trying to seal a deal to buy Pioneer Natural Resources in a blockbuster takeover that could be worth roughly $60 billion — and it isn't the only company looking for a deal. Rivals Chevron and ConocoPhillips are also scouring the shale patch for targets, while smaller drillers have started to make it clear they are available for the right price, according to people familiar with the matter.

The most desirable drilling bounties are in the oil-soaked Permian Basin of West Texas and New Mexico, where investors and energy executives say a deal-making scramble is in the works. A wave of deals could reshape the U.S. oil and gas industry, ushering it from an era defined by relatively small drillers chasing growth to one dominated by the largest Western oil companies. The emerging order could resemble what came out of the industry's megamergers that began in the late 1990s and included linkups between Exxon and Mobil, Chevron and Texaco, and BP and Amoco, among others.

Exxon, Chevron and their peers are sitting on historically large war chests, filled by a prolonged period of high commodity prices because of postpandemic economic growth and Russia's invasion of Ukraine. But the companies have been hamstrung in deploying the cash by investors who have insisted producers keep spending disciplined and give them huge payouts instead of chasing growth. Drillers have accommodated investors for the past two years but appear ready to test the waters on putting their cash to use.

Exxon near $60 billion deal to buy major Permian Basin player

(Wall Street Journal; Oct. 5) - Exxon Mobil is closing in on a deal to buy Pioneer Natural Resources, a blockbuster takeover that could be worth roughly $60 billion and reshape the U.S. oil industry. A deal could be sealed as soon as in the coming days, though it is still possible there won't be one, people familiar with the matter said. After posting a record profit in 2022, Exxon has been flush with cash and exploring options that would push it deeper into West Texas shale.

Acquisition of Pioneer, with a market cap of around $50 billion, would likely be Exxon's largest deal since its megamerger with Mobil in 1999. It would give Exxon a dominant position in the oil-rich Permian Basin of West Texas and New Mexico, a region the oil giant has said is integral to its growth plans. A deal would eclipse the U.S. oil industry's most recent blockbuster, Occidental’s 2019 acquisition of Anadarko for about $38 billion, and it would top Exxon’s 2010 purchase of XTO Energy for more than $30 billion.

It would be a legacy move for Exxon CEO Darren Woods, whose tenure at the company has seen peaks and valleys. It would add vast swaths of West Texas land in the core of the shale boom. Pioneer’s acreage in the Midland Basin — the eastern portion of the Permian, which straddles West Texas and New Mexico — is seen as one of the largest collections of fertile oil land in the U.S. The company holds one of the largest numbers of untapped drilling sites of any Permian player, analysts have said. A Pioneer tie-up would make Exxon by far the largest oil-and-gas producer in the contiguous U.S.

Analysts say oil could fall to $60 by 2027 as demand growth declines

(Reuters; Oct. 6) - Global crude oil prices could drop to about $60 per barrel by 2027 as demand growth slows, say analysts at Rystad Energy, chopping a third off of next year's forecast price as demand tumbles. Their outlook is a reassuring message amid recent Wall Street analysts predicting up to $150 per barrel in the next two years. Rystad's long-term forecast calls for prices to peak next year at $91 per barrel before dropping to as much as $50. "Demand growth is peaking," Rystad's head of North America Research Claudio Galimberti said on Oct. 5 at the sidelines of an event in Houston.

"We anticipate prices to taper off in the next three to four years, primarily due to ample supply,” he added. OPEC+ has succeeded in jacking up oil prices this year by cutting output, but that strategy cannot succeed long term, Galimberti said. Global oil demand growth, which averaged 3.7 million barrels per day last year, should decelerate to 2.4 million this year, 1.2 million in 2025, and just 500,000 in 2026, he said. Prices beyond 2026 will reflect the pace of the world's energy transition to cleaner energy and the level of investments in new fossil fuel production, he explained.

The Rystad analysts predict that U.S. oil production will climb to 15 million barrels per day by 2026, up from about 13 million currently, before reaching a plateau. If Brent were to remain at an average of $80 per barrel after 2026, shale producers would resume investments, Galimberti said. And if that happens shale could deliver as much as 18 million barrels per day, he estimated, decreasing OPEC's influence over prices. "This is a strategy OPEC can pursue for one year, but not for seven years," he said. "If oil prices remain elevated, U.S. shale would be the clear winner.”

U.S. oil prices fall to five-week low

(CNN; Oct. 5) - After spiking to alarming levels just last week, oil prices are suddenly in free-fall mode. The dramatic reversal should bring relief to drivers (and nervous central bankers) very soon. U.S. oil prices plunged by 5.6% to $84.22 a barrel on Oct. 4, marking the biggest one-day decline in a year. Crude dropped even further on Oct. 5, sinking as low as $82.24 a barrel, a five-week low.

This is quite the U-turn, even for the notoriously boom-to-bust oil market. As recently as last week, U.S. crude briefly touched $95 a barrel and Wall Street banks were predicting $100 or higher amid Saudi Arabia and Russia’s aggressive supply cuts. So why did oil prices go from spiking to plunging? Some argue that oil bulls, including hedge funds, had become excessively bullish. Egged on by Saudi Arabia’s supply cuts, they piled in to make bets that prices would go higher — even though fundamentals didn’t justify it.

“A lot of speculative pressure is being let out of the tires,” said Matt Smith, lead oil analyst for the Americas at Kpler. “It was stretched taut like a rubber band, hence a couple of bearish triggers caused the price to snap back in short, sharp fashion,” Smith said. The latest trigger was a government report released Oct. 4 that showed U.S. gasoline inventories unexpectedly soared last week. That in turn raised concerns about weakening demand for gasoline.

Oil prices move higher Oct. 9 amid fears of wider Mideast conflict

(Reuters; Oct. 9) - Oil prices surged more than 3% on Oct. 9 as military clashes between Israel and the Palestinian Islamist group Hamas ignited fears of a wider conflict in the Middle East. The surge in oil prices reversed last week's downtrend — the largest weekly decline since March — in which global benchmark Brent fell about 11% and U.S. benchmark West Texas Intermediate retreated more than 8% as a darkening macroeconomic outlook intensified concerns about global demand for oil.

While the underlying supply-demand balance is unaffected, said Tamas Varga of oil broker PVM, "any rise in tension in the Middle East usually leads to an increase in oil prices and it is no different this time around.” Hamas on Oct. 7 launched the largest military assault on Israel in decades, triggering a wave of retaliatory Israeli air strikes on Gaza. The eruption of violence threatens to derail U.S. efforts to broker a rapprochement between Saudi Arabia and Israel, in which the kingdom would normalize ties with Israel in return for a defense deal between Washington and Riyadh.

Saudi officials reportedly on Oct. 6 told the White House that they were willing to raise output next year as part of the proposed Israel deal. The questions now are how long the fighting lasts and, therefore, how long the price oil rally will last, Citi analysts said. "Timing is everything and the attacks almost certainly postpone any Saudi-Israeli rapprochement, along with any high probability expectation of Saudi Arabia reducing or eliminating its extra 1 million barrels per day cut if prices resume their recent fall."

U.S. demand for gasoline down 1 million barrels a day since summer

(Bloomberg; Oct. 8) - One of the oil market's most controversial data points of recent years — a measure of how much gasoline Americans consume — is pointing to a crash in demand that's alarming traders the world over. On Oct. 4, the consumption measure for the fuel in the U.S. fell to the lowest for the time of year in a quarter-century. Since the summer's peak, it points to a decline of 1 million barrels a day. New York-traded futures plunged 6.9%, one of several catalysts for oil's biggest one-day rout in a year.

What happens in the U.S. gasoline market has implications far beyond the fuel itself. The nation's demand for gasoline accounts for one in every 11 barrels of oil consumed in the world, making it pivotal to the global picture. It can also influence inflation, helping to shape economic growth. While some like Goldman Sachs say the data exaggerated demand weakness, the slump in consumption, which has been going on for weeks, points to a bigger-than-normal downturn for the end of U.S. summer driving season.

Part of the weakness has to do with expensive pump prices, which followed oil's surge to record seasonal highs, a move that JPMorgan Chase analysts say has led to demand destruction. Any lost demand is a problem because refineries essentially must make the fuel even if they don't want to. The lighter crudes that are often produced in the U.S. tend to spit out bigger volumes of gasoline than crudes pumped by Saudi Arabia or Russia, which have cut their oil production. Since gasoline isn't produced in isolation, refiners wishing to profit from high diesel prices can't avoid making gasoline too.

"Gasoline has become a surplus byproduct of refiners" that are chasing strong profits from making diesel and jet fuels, said Mark Williams, an analyst at Wood Mackenzie.

Canadian oil line expansion expected to prompt production increase

(The Canadian Press; Oct. 4) – The anticipated 2024 start-up of the Trans Mountain pipeline expansion project will help boost Canadian oil production to an all-time high within the next two years, according to a new report. The report by Deloitte Canada said the extra capacity is expected to boost Canadian production by about 375,000 barrels a day over the next two years.

That represents a nearly 9% increase from the 4.18 million barrels per day of oil that Canada produced in June of this year — the most recent month for which statistics are available through the Canadian Centre for Energy Information. "The increase in volume is notable: It's greater than the total amount added to Canada's production levels over the past five years combined," the report said. The pipeline project, however, has been plagued by delays and cost overruns. It is now anticipated to cost C$30.9 billion, more than quadruple the C$7.4 billion budgeted in 2017.

Trans Mountain is Canada's only pipeline system moving oil from Alberta to the West Coast. Its expansion, which is currently underway, will boost the pipeline's capacity to

890,000 barrels per day from 300,000. Much of the increased exports will go to markets outside the U.S., allowing Canadian producers to reduce their dependence on U.S. refinery operations. According to the Deloitte report, the vast majority of the expected increase in production in the coming years will come from the Alberta oil sands.

March start-up expected for expanded Canadian oil sands pipeline

(Calgary Herald columnist; Oct. 5) - Trans Mountain CEO Dawn Farrell said the oil pipeline expansion project is on track to begin commercial operations by the end of March, but acknowledged the C$30.9 billion development still faces pressures as construction enters the home stretch — just 10 miles of pipe are left to go in the ground. Once construction is complete, it will allow for testing, commissioning work and filling the line with 4.5 million barrels of oil, which should begin near the end of January.

Concluding a long-awaited sale of the pipeline back into private-sector hands could happen in early 2025, she said. Farrell took over the helm of the crown corporation in August 2022. Ottawa bought the pipeline from Kinder Morgan in 2018 for $4.4 billion after it appeared the owners were set to walk away from the controversial development. The expansion project is seen as a critical piece of infrastructure for Canada's oil sands production, nearly tripling the capacity of the existing pipeline to 890,000 barrels per day. The 713-mile line runs from the Edmonton area to a coastal shipping terminal.

Critics expect the federal government will likely have to take a write-down to sell the pipeline. The capital costs have escalated from C$5.4 billion in 2013 to now top C$30 billion. "I think we're close (on the latest price tag)," Farrell said. "For sure, there's pressure on it because every time there's a bit of a delay or you have to do a regulatory hearing, or you have to find a new methodology, that puts pressure on the contingency and on the reserve." Shippers have signed long-term contracts to take about 80% of the available capacity, although there are disagreements over the pipeline's rising tolls.

Abu Dhabi commits to $17 billion gas development

(S&P Global; Oct. 5) - Abu Dhabi National Oil Co. said Oct. 5 it has taken a final investment decision on the offshore Hail and Ghasha gas project, which the state-owned company aims to operate with net-zero emissions. The fields are part of the Ghasha concession, which is set to produce 1.5 billion cubic feet per day before the end of 2030, with 1.5 million tonnes per year of carbon dioxide captured, the company said in a statement. ADNOC awarded two engineering and construction contracts worth almost a combined $17 billion for the development, the largest gas project in its history.

The captured carbon will be stored underground while low-carbon hydrogen will be produced to replace fuel gas, the company said. The project will use power from nuclear and renewable sources, ADNOC said. Abu Dhabi currently operates one liquefied natural gas export terminal, at almost 6 million tonnes per year capacity, with plans to expand the country's output.

FERC extends deadline again for offshore U.S. Gulf LNG developer

(Reuters; Oct. 5) – The Federal Energy Regulatory Commission has extended until September 2027 the deadline for developer Delfin LNG has to put the onshore part of its proposed Gulf of Mexico floating export project off Louisiana into service. Delfin is one of several North American LNG export developers that have delayed construction in recent years because, they said, coronavirus demand destruction made customers unwilling to sign long-term deals needed to finance the multibillion-dollar facilities.

There are about a dozen companies hoping to make final investment decisions over the next year to build plants in the U.S., Canada or Mexico. Many of have been delayed for years. Delfin has said it is close to making a positive FID on its first (and possibly a second) floating LNG vessel, and some analysts agree that Delfin will be one of the next U.S. projects to move forward. That's because Delfin this year signed deals to sell gas to U.K. energy firm Centrica and U.S. energy and commodities firm Hartree Partners.

FERC authorized construction of Delfin's project in September 2017 and initially required the company to put the plant into service by September 2019. Since then, FERC has granted several extensions to complete the project. Delfin's project would use existing offshore pipelines to supply gas to up to four liquefaction vessels that could each produce about 3.5 million tonnes per year of LNG. The company has said each would cost about $2 billion, with the first now expected to enter service around 2027.

U.S. LNG developer asks FERC for more time on Louisiana project

(Reuters; Oct. 5) - U.S. energy company Tellurian has asked federal energy regulators for more time to build its Driftwood liquefied natural gas export plant in Louisiana. Driftwood is one of dozens of U.S. LNG export projects that have been under development for years while other plants found customers and were built, putting the United States on track to become the world's biggest LNG exporter this year. Tellurian, however, has come up short of customers, equity and financing for the project.

In a filing Oct. 4, Tellurian's Driftwood LNG asked the Federal Energy Regulatory Commission for an extra 36 months beyond the originally authorized in-service date to complete construction of the LNG plant and associated gas pipeline. In April 2019, FERC approved construction of the Driftwood project, with output capacity of up to 27.5 million tonnes per year, and gave Tellurian until 2026 to complete the project. The extra 36 months would give Tellurian until 2029 to start operations.

In March 2022, Driftwood gave Bechtel a "limited notice to proceed with construction ... (and) over the past 17 months, construction has progressed continuously," the company said in its FERC filing. Tellurian has not yet made a final investment decision to start major construction on the roughly $14.5 billion first phase of the project, planned for an output capacity of 11 million tonnes per year.

[Chevron’s Australia LNG workers vote to restart strikes]

(Reuters; Oct. 6) - Workers at Chevron's two liquefied natural gas facilities in Western Australia voted on Oct. 6 to restart strikes, the union said, endorsing a similar move by other colleagues at a meeting less than 24 hours earlier as unions accuse Chevron of reneging on a deal that ended strikes last month. Night-shift workers at Chevron's Gorgon and Wheatstone facilities voted to restart strikes in the afternoon meeting, the offshore alliance, a coalition of two unions, said in a statement.

Chevron must be given seven business days notice before strikes can begin, and unions plan to file the notice on Oct. 9, a union representative told Reuters. Chevron said on Oct. 5 that it continued to work with all parties to finalize a September deal based on recommendations made by Australia's industrial arbitrator, the Fair Work Commission.

Following nearly two weeks of negotiations to turn the commission's recommendations into a legally binding contract, workers voted to restart strike action at the two plants which are responsible for about 6% of global LNG production. "Ideally, both parties don't want to see strikes eventuate again, and a vote to strike will act as pressure to finalize the agreements. But if trust is breaking down, we could end up where we were a month ago quite quickly," energy analyst Saul Kavonic said. "Overall, it is still very likely this will all resolve one way or another without a material supply disruption."

[Pakistan pays premium to buy first spot-market LNG in a year]

(Bloomberg; Oct. 4) - Pakistan has purchased a liquefied natural gas shipment from the spot market for the first time in more than a year, a move that will ease a winter energy shortage. Pakistan LNG procured a single cargo for December delivery from global commodity trader Vitol at roughly a 13% premium to current spot prices, according to traders with knowledge of the information. The spot-market cargo will cost almost double what Pakistan is paying under its long-term LNG supply contract with Qatar.

The additional cargo will help reduce a gas supply gap this winter, as the nation’s households and industries have grappled with outages of fuel and electricity. Suppliers had largely stopped offering spot shipments to Pakistan since last year due to the nation's high credit risk. Pakistan, which earlier this year was on the verge of default, is facing a fuel shortage after Russia's invasion of Ukraine sent energy prices surging. Factories across the country are shutting because of high energy costs or lack of gas.

Vitol offered a bid price of $15.97 per million Btu for a Dec 7-8 delivery window, which was accepted. Pakistan decided not to buy a second winter delivery offered by Trafigura at $19.39 per million Btu, a 37% premium to spot prices, according to traders.

China still building coal plants in other countries

(Wall Street Journal; Oct. 4) - A pledge by China two years ago to stop building new coal-fired power plants overseas won applause from global climate activists, but Beijing's decision to press ahead with some projects has spurred questions about whether the world's largest carbon emitter is going back on its word. This year, China and Pakistan resurrected long-dormant plans for a coal plant in Gwadar, a Pakistani port city that is at the center of an economic corridor Beijing is seeking to develop.

China is also forging ahead with plans for new coal-fired plants in Indonesia too, where the government wants them to supply energy for processing nickel, a metal used to make batteries for electric cars. Chinese companies have canceled nearly 40 planned coal plants the past two years but the fate of about 40 other projects remains in limbo, as different parties tussle over how to interpret and carry out Beijing's coal pledge.

The problem is many developing countries say they are not ready to make the transition to renewables, which often require big upfront investments to build the technology and adapt the power grids. Pakistan and Indonesia say they are choosing to go forward with coal plants in some places because they can ensure a stable and affordable power supply, and the countries lack alternatives that are financially and technically feasible.

Since last year, blackouts across Pakistan have worsened due to a shortage of natural gas — which accounts for more than one-third of the country's power output — after liquefied natural gas prices surged in the wake of Russia's invasion of Ukraine. Pakistan first approved the Gwadar coal plant in 2017, but disagreements over financing and pricing delayed construction. In the summer of 2022, Pakistan and China considered building a solar farm instead, before settling back on the coal plant early this year.