Oil and Gas News Briefs
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August 5, 2024

[Exxon's gamble in Guyana waters goes back more than a decade]

(Bloomberg; Aug. 1) - Scott Dyksterhuis was convinced. Or as convinced as you can be when predicting what lies more than 3 miles beneath the seabed. The then 32-year-old geoscientist for ExxonMobil figured there was a good chance a vast trove of oil lay buried off the coast of Guyana, near where the Atlantic Ocean meets the Caribbean Sea. Now came the hard part. He had to persuade his bosses to drill a well that would prove it. "It was high-risk," Dyksterhuis says. "But Guyana was a casino you wanted to play in because when you win, the profits are so high."

In late 2013, hunting for oil in Guyana was among Exxon's lowest priorities. Companies had drilled more than 40 dry holes in the region. The target formation — named Liza, after a local fish — was under a mile of water. Drilling it would cost at least $175 million. Even Dyksterhuis estimated there was only a 1 in 5 chance of success. But if he was right, it would open an oil frontier, proving a theory that the same geology behind Venezuela's reserves, the world's largest, extended across the north coast of South America. Many at Exxon had no interest in making that bet. Neither did much of the rest of the oil industry.

Today, Liza is the world's biggest oil discovery in a generation. Exxon controls a block that holds 11 billion barrels of recoverable oil, worth nearly $1 trillion at current prices. The find has transformed Guyana from one of South America's poorest countries into one that will pump more crude per person than Saudi Arabia or Kuwait by 2027. Guyana is on track to overtake Venezuela as South America's second-largest oil producer, after Brazil. Guyana has become the bedrock of Exxon's post-Covid corporate revival. The Texas oil giant has a 45% share of a field that costs less than $35 a barrel to produce.

[Exxon counts increase in Permian production with Pioneer acquisition]

(S&P Global; Aug. 2) - Three months after ExxonMobil's nearly $60 billion acquisition of independent producer Pioneer Natural Resources, the merged major is producing more than its long-awaited landmark goal of 1 million barrels of oil equivalent from the Permian Basin, the prized asset in the deal, ExxonMobil's top executive said Aug. 2. In the second quarter, "we once again set production records from our advantaged assets in Guyana and the Permian," CEO Darren Woods said during a second quarter conference call.

"Including Pioneer, our Permian production surged to 1.2 million barrels (equivalent)," Woods said. "Including Pioneer, our Permian production volumes have more than tripled since 2019." He continued in his discussion of ExxonMobil's success: "In Guyana, we

started 2019 with zero production and we've grown to an average of 633,000 barrels per day gross (of oil) in the second quarter."

Scheduled work during a temporary shutdown of the Liza Phase 1 and Phase 2 floating production and storage units in Guyana should reduce volumes at the Exxon-operated Stabroek Block by about 80,000 barrels per day in the third quarter. The shutdown is required to tie the units into the pipeline for an historic gas-to-energy project, which will feed gas to onshore Guyana industries. ExxonMobil and Stabroek partners Hess and China's CNOOC are producing from three offshore units.

BP signs deal to develop large oil and gas fields in Iraq

(Reuters; Aug. 1) - Iraq has signed a preliminary agreement with BP to develop the northern Kirkuk oil and gas fields, the Iraqi prime minister's office said on Aug. 1. Under the deal, which was signed in Baghdad between Iraqi Oil Minister Hayan Abdel-Ghani and BP CEO Murray Auchincloss, BP will develop four oil and gas fields in the Kirkuk region, the statement from the Iraqi prime minister's office said.

Kirkuk is estimated to contain about 9 billion barrels of recoverable oil, according to BP. The company will start drawing up a major plan to boost output capacity of crude oil and gas from the Kirkuk, Bai Hasan, Jambour and Khabbaz fields, Iraq oil ministry officials said. The Kirkuk field's reservoir was discovered in 1927 and is where Iraq's oil industry was founded. Iraq, the second-biggest producer in OPEC behind Saudi Arabia, currently has the capacity to produce almost 5 million barrels per day.

Rehabilitation of existing facilities, where required, and the construction of new facilities — including gas projects — together with a drilling program at the Kirkuk fields has the potential to stabilize production and reverse decline, BP reported. Negotiations over the preliminary agreement are expected to be complete early in 2025, said BP. Baghdad regained full control of the deposit from the regional government in 2017 after a failed Kurdish independence referendum, at which point BP resumed its studies on the field.

Canada supplied 60% of U.S. crude oil imports in 2023

(U.S. Energy Information Administration; Aug. 1) - Crude oil imports from Canada have become increasingly important to U.S. oil refineries, now making up most U.S. imports. In 2023, 60% of U.S. crude imports originated in Canada, up from 33% in 2013. Imports from Canada grew by an average of 4% in every year from 2013 to 2023. As Canadian crude as a percentage of overall oil imports to the U.S. has increased, so too has the share of Canadian oil running through U.S. refineries. Canada's crude oil exports to the U.S. amounted to 24% of U.S. refinery throughput in 2023, an increase from 17% in 2013.

Crude oil production averaged 4.6 million barrels per day in Canada during 2023, nearly three times Canada's domestic refinery capacity of 1.7 million-barrels per day. Many U.S. refineries are designed to handle heavy crudes like those produced in Canada's oil sands, yielding products such as transportation fuels (gasoline and diesel), chemicals and plastics. Geographic proximity allows Canada's pipelines to transport crude from the western provinces, mainly from Alberta, to refineries in the U.S.

Inland regions of the United States, particularly the Midwest and Rocky Mountains, are closely connected to Canada's oil markets via pipeline and rail networks. Additional takeaway capacity exists for shipments to the Gulf Coast. Pipeline capacity to carry Canada's crude oil exports has increased in recent years, including the expanded Express Pipeline to increase oil sands exports to U.S. Rockies refineries. And the expanded Trans Mountain line nearly tripled pipeline capacity to Canada's Pacific Coast.

Britain raises oil and gas tax to pay for transition to renewables

(Reuters; Aug. 1) - Britain's decision to increase a windfall tax on oil and gas producers to help pay for its push to expand renewables will lead to a sharp drop in revenue and accelerate the aging basin's decline, North Sea drillers said. The new Labor government announced on July 29 it will increase the Energy Profits Levy by 3% to 38% starting Nov. 1, bringing the headline rate of tax on oil and gas activities to 78%, among the highest in the world. It will also scrap the levy's 29% investment allowance, which allows companies to offset their tax bill with reinvested capital. The profits levy was extended to March 2030.

The measures will "ensure oil and gas companies contribute more toward our clean-energy transition," a Treasury spokesperson told Reuters. The government has set up a state-backed power company, GB Energy, to help to sharply grow its renewables capacity and decarbonize the power sector by 2030. Consultancy Wood Mackenzie said the new levy could raise 1.2 billion pounds ($1.54 billion) per year, but warned it would also lead to a "premature slowdown of investments" in the North Sea oil and gas sector.

Company executives said the measures will dry up investment in the basin. "I hope the government does something sensible rather than cast a wrecking ball across the North Sea," David Latin, chairman of North Sea producer Serica Energy, told Reuters. "The risk is that they will try to reduce capital allowance and that will mean we won't invest. As the basin stops investing, output starts declining much faster and revenue drops," Latin said. The first 25% windfall tax was imposed in 2022 after a surge in energy prices that followed Russia's invasion of Ukraine. It was later raised to 35% and now will go to 38%.

Record-setting deepwater well planned offshore Colombia

(Bloomberg; Aug. 1) - The oil industry is pushing the limits of offshore exploration with plans to drill a record-setting deepwater well in Colombia within months. Occidental

Petroleum and Ecopetrol are gearing up to plumb the depths of Colombia’s Caribbean waters in search of gas and oil. The plan is to drill the Komodo-1 well before the year is out in seas roughly 13,000 feet deep. That’s equal to about 10 Empire State Buildings stacked on top of each other and would shatter the current water-depth record holder in Angola.

Oil explorers around the world are returning to the deep seas as production growth from North American shale fields slows, forcing companies to expand drilling in other places. SLB, the world’s biggest oil field services provider, sees the potential for more than $100 billion in commitments to offshore projects for 2024-2025. “Offshore and deepwater are currently undergoing a remarkable renaissance, driven by the imperatives of energy security, regionalization, and a maturing and disciplined North American shale supply,” James West, an analyst at Evercore ISI, wrote in a note to investors.

The effort to break the record with Komodo-1 has been enabled in part by better marine-seismic technology for exploration at greater depths, said Elsa Jaimes, offshore chief at Ecopetrol. Colombia is exploring its huge offshore potential as aging onshore reserves peter out, she said. Worldwide, over 40 wells are expected to be drilled this year in seas of least 5,000 feet, which would make it the busiest for ultra-deepwater drilling in a decade, according to industry data provider Enverus. “You’re taking a gamble,” said Dai Jones, Enverus director of global intelligence. “You can spend a lot of money taking that gamble.”

U.S. gasoline consumption highest since August 2019

(Reuters; July 31) - U.S. oil demand rose to a seasonal record in May as American cars guzzled the most gasoline since before the pandemic, data from the U.S. Energy Information Administration showed on July 31. Total crude oil and petroleum product supplied, the EIA's proxy for demand, rose by 792,000 barrels per day month-over-month to 20.8 million barrels per day in May, the data showed. That is the highest monthly figure since August, and a record high for the month of May.

Demand for gasoline alone rose to a post-pandemic high of 9.4 million barrels per day, the most since August 2019. The previous post-pandemic high for U.S. gasoline consumption was 9.36 million in June 2021. Gasoline demand in the U.S. typically peaks during the summer driving season. While markets are unlikely to react to the data because of the time lag, it should make forecasters raise their projections for this year's U.S. oil demand growth, UBS analyst Giovanni Staunovo said. The U.S. is the world's largest consumer of oil, making its demand trajectory crucial to global markets and energy-transition targets.

Meanwhile, U.S. oil production fell in May in its first monthly decline since January, while natural gas output decreased to its lowest since February 2023, EIA data showed. Crude oil production fell by 61,000 barrels per day to 13.18 million in May, as lower output from offshore Gulf of Mexico and North Dakota offset record output in Texas and New Mexico. Gross natural gas production in the Lower 48 states fell for a third month in a row in May to 113.8 billion cubic feet per day. It was the first time output fell for three months in a row since October 2020. The monthly record was 118.2 bcf per day in December 2023.

Chevron will leave its corporate home of California for Texas

(Wall Street Journal; Aug. 2) - Chevron is relocating to Texas, deserting California, its home state for more than 140 years, where the business climate has soured for oil companies. The second-largest U.S. oil company said Aug. 2 it plans to move its global headquarters to Houston, the U.S. energy industry capital. Chevron has built a stronghold of about 7,000 employees there, partly from a matriculation of executives and white-collar workers decamping from California.

The relocation plans come weeks after Elon Musk said X and SpaceX would move their headquarters to Austin, out of California. Musk had moved Tesla's headquarters to Texas a few years ago. Several other large U.S. companies, including Hewlett Packard Enterprise and Oracle, have moved from blue states such as California to red states such as Texas.

Chevron CEO Mike Wirth said the company wants to move its employees to one central hub. He also acknowledged the company has been vocal about its differences of opinion with California on energy policy. "We believe California has a number of policies that raise costs, that hurt consumers, that discourage investment and ultimately we think that's not good for the economy in California and for consumers," Wirth said in an interview.

OPEC+ sticks with plan for scaling back production cuts in October

(Reuters; Aug. 1) - A meeting of top OPEC+ ministers has kept oil output policy unchanged, including a plan to start unwinding one layer of output cuts beginning in October — while repeating that the hike could be paused or reversed if needed. Several ministers from the Organization of the Petroleum Exporting Countries and allies led by Russia, or OPEC+ as the group is known, held an online joint ministerial monitoring committee meeting on Aug. 1.

OPEC+ is currently cutting output by a total of 5.86 million barrels per day, or about 5.7% of global demand, in a series of steps agreed since 2022 to bolster the market amid uncertainty over global demand and rising supply outside the group. In a statement after the Aug. 1 meeting, OPEC+ said the members making the most recent layer of cuts — a voluntary cut of 2.2 million barrels per day — reiterated that its gradual phase-out starting in October could be paused or reversed, depending on market conditions.

Oil prices have fallen from a 2024 high above $92 a barrel in April to below $81, pressured by concern about the strength of demand but finding support this week from increasing tensions in the Middle East. OPEC+ agreed at its meeting in June to phase out the cut of 2.2 million barrels per day over the course of a year from October 2024 until September 2025. It also agreed to extend earlier cuts of 3.66 million barrels per day until end-2025.

China’s economic slowdown cuts into gasoline, diesel demand

(Reuters; Aug. 2) - China's slumping consumption of diesel, as use of LNG-powered trucks grows, is holding down domestic fuel demand, with forecasters warning of further risks from a sluggish economy hobbled by a prolonged crisis in the property sector. While the world's second-largest economy was long the growth engine for global oil demand, its peaking appetite for transport fuel, as an energy transition gathers pace in a sputtering economy, is now dampening world markets.

In the second quarter, global oil demand growth was its slowest since late 2022, driven by a contraction in Chinese consumption, the International Energy Agency’s July oil market report showed. Weak demand from China’s manufacturing and construction sectors is expected to persist in the second half as the world's top importer of oil grapples with a listless real estate sector that ties up about 70% of its household wealth.

"China's manufacturing sector is starting to slow down … especially as its 'export-led' growth model is no longer tenable," said Zameer Yusof, middle-distillates analyst at analytics firm Kpler. "This is a function of both relatively slow worldwide economic growth and ongoing U.S. tariffs on Chinese goods." As gasoline use plateaus, oil-demand growth in the world's second-largest consumer is set to slow to just under 3% in 2024, analysts say, off the previous decade's average of 4.6%. Four of five analysts in a Reuters survey said second-half diesel demand could fall between 2% and 7% on an annual basis.

U.S. methane emissions from oil and gas sites far exceed target

(S&P Global; Aug. 2) - Methane emissions from U.S. oil and gas production sites were more than four times higher than what the Environmental Protection Agency estimated and far from industry targets, according to a new study based on overflight data from the Environmental Defense Fund. The findings were consistent with previous studies and suggested potential trouble ahead for U.S. LNG exporters unless methane releases can be curtailed, the group said July 31.

The European Union recently adopted new regulations that will restrict imports of natural gas produced above a certain methane emissions intensity and impose other requirements that will affect U.S. producers and exporters. The oil and gas industry welcomes more data that can help operators track and reduce emissions, said Chris Treanor, executive director of the Partnership to Address Global Emissions. The group was formed in 2022 by natural gas companies arguing that U.S. exports are needed to bring energy to underserved regions and to reduce overseas reliance on coal and other more damaging fuels.

Under the new rules, Europe's fossil fuel industry must begin to measure, monitor, report and verify methane emissions in 2025. The rules, which also prohibit most flaring of natural gas and limit methane intensity, will be gradually extended to importers of natural gas. The Environmental Defense Fund conducted more than 30 flights between June and October 2023 to monitor over 70% of U.S. onshore oil and gas sites. The total methane emissions

rate across 12 major production areas was 1.6%, the EDF reported, eight times higher than the 0.2% target that 50 nations adopted in 2023 at the COP28 climate conference.

South Korea cancels or delays LNG import projects amid oversupply

(Institute for Energy Economics and Financial Analysis; Aug. 1) - A growing number of South Korea’s liquefied natural gas import terminal projects have been scrapped amid weakening LNG demand and looming overinvestment risks, according to a report from the Institute for Energy Economics and Financial Analysis. Since early 2024, at least four LNG terminals with a combined regasification capacity of 11 million tonnes per year have been delayed or canceled due to a lack of economic benefits and rising construction costs. The canceled or delayed plans account for about 29% of the country’s total proposed capacity.

A report published by the Institute for Energy Economics and Financial Analysis last November highlighted that the rapid growth of proposed LNG import terminals by state-owned firms and the private sector presented a high risk of overinvestment. IEEFA estimated that by 2031, South Korea’s 11 proposed new LNG terminals could cost about US$8.7 billion. These terminals would account for roughly 37 million tonnes per year of regasification capacity, increasing national capacity from 153 million to 190 million.

IEEFA’s analysis showed a widening gap between LNG import infrastructure and demand, given the South Korean government’s climate targets projected that the share of LNG-fired power generation would fall to 11.1% by 2038, from 26.8% in 2023. Based on IEEFA’s calculations, the utilization of regasification facilities, already one of the lowest in the world, would fall to 19.78% in 2036, from 29.48% in 2023. South Korea’s LNG imports declined 4.9% in 2023, as high and volatile LNG prices placed downward pressure on power and city gas demand amid increased nuclear and renewable power generation.

Exxon/Qatar push back Texas LNG project completion to end of 2025

(Bloomberg; Aug. 2) – Exxon Mobil and QatarEnergy delayed the start of a $10 billion natural gas export project in Texas to the end of next year after lead contractor Zachry Holdings declared bankruptcy. The companies agreed other contractors could finish work on Golden Pass last month, paving the way for a restart after several setbacks this year. The new schedule means the facility, one of the country’s largest at 18 million tonnes per year production capacity, will begin operations about six months later than the previous plan, Exxon Chief Financial Officer Kathy Mikells said during an interview.

A Houston judge last month cleared a deadlock between the Exxon-QatarEnergy joint venture and Zachry after work at the site came to an impasse as thousands of workers were laid off. Zachry cited cost overruns stemming from the pandemic, along with soil conditions and supply-chain snags. It filed for Chapter 11 bankruptcy in May. “We’re

pleased the Golden Pass JV has reached a settlement with Zachary which enables us to continue working toward completion," Mikells said.

The facility will come online in stages and is expected to supply customers in Europe and Asia. Other contractors on the project include McDermott International and Chiyoda International. QatarEnergy owns 70% of Golden Pass and Exxon owns 30%.

Texas LNG terminal almost done with work to boost capacity

(Reuters; Aug. 2) - U.S. liquefied natural gas developer Freeport LNG expects to increase production beyond its nameplate capacity of 15.3 million tonnes per year as it wraps up an expansion project, the company said on Aug. 2. Freeport operates the second-largest U.S. gas liquefaction plant. "We have safely completed the vast majority of the work related to our debottlenecking project and are working to implement the benefits of those efforts," a Freeport spokesperson told Reuters. The spokesperson did not say what the capacity would be when the debottlenecking is complete.

Feed gas flows to Freeport on Aug. 2 were on track to reach a record 2.3 billion cubic feet per day, up from 2.1 bcf on Aug. 1 and an average of 1.9 bcf per day over the prior seven days, LSEG data showed. Prior to its debottlenecking, Freeport pulled at peak close to 2.2 bcf per day, according to LSEG data. Sustained liquefaction of more than 2 bcf a day would exceed the plant's nameplate capacity of 15.3 million tonnes per year of LNG.

On July 7, Freeport shut its plant in anticipation of the passage of Hurricane Beryl, the plant remained down for eight days and then resumed operations on a phased basis, having suffered damage to its air coolers due to the storm. The company said that all three of its LNG liquefaction trains have now been safely restarted and it is in the process of returning to normal production rates.

Floating LNG facility in Mexican waters plans first cargo this month

(Reuters; Aug. 2) - U.S. energy company New Fortress Energy plans to load the first cargo of liquefied natural gas at its floating facility offshore Mexico this month, to be shipped to another Mexican port for power generation, the company said on Aug. 2. The LNG facility located in Altamira, off Mexico's Atlantic Coast, is scheduled to conclude commissioning and its preproduction run on Aug. 9, after long delays for completing the necessary infrastructure, and begin natural gas processing.

The first cargo will be a partial load for delivery to NFE's La Paz terminal in the following days, the company said. NFE's newly operational La Paz facility, in the port of Pichilingue in Baja California Sur, will supply natural gas to two power plants and other customers in Mexico. The port is on the Gulf of California, on the Pacific Ocean side of Mexico. After the first load, the floating LNG facility will undergo a scheduled maintenance outage of several

days before resuming operations to reach full production later in August. The floating operation is designed to produce 1.4 million tonnes of LNG per year.

Novatek loads first cargo from sanctioned Russian LNG project

(gCaptain; Aug. 3) - Russia’s liquefied natural gas producer Novatek appears to have loaded the first cargo from its sanctioned Arctic LNG 2 project. Satellite images of the project site on the Gydan Peninsula in the Russian Arctic taken on Aug. 1 show an LNG carrier docked alongside Train 1 of Arctic LNG 2. The image also shows significant gas flaring activity coinciding with the production and loading of LNG onto a carrier. In contrast, images taken over previous weeks and months did not show flaring of any gas.

While satellite images confirm the presence of an LNG carrier, AIS vessel tracking info does not reveal any vessels in the vicinity of the facility seemingly confirming recent industry speculation that Russia was in the process of assembling a “shadow fleet.” The unidentified vessel measures approximately 920 feet in length and visually conforms with the appearance of LNG carriers. Several LNG carriers have displayed unusual behavior of the past few weeks circling just outside Russian Arctic waters.

Arctic LNG started production last December but has not sent out any export cargoes due to a lack of specialized, ice-class tankers needed to move through Arctic waters. U.S. and Western sanctions have denied Novatek access to the ships. But with summer breaking up the sea ice, traditional LNG carriers can be used to deliver cargoes from Arctic LNG 2. Sanctions also have delayed construction of the facility’s second and third production lines.

Power producers balk at Vietnam’s price cap on LNG-fueled electricity

(Reuters; Aug. 1) - Electricity-hungry Vietnam wants liquefied natural gas to fire 15% of power capacity by 2030 but is unlikely to meet that target as power producers and foreign investors balk at the country's strategy for making the fuel affordable. To promote LNG use and shield consumers from high prices, Hanoi in May set a price cap on generators' sales of electricity fueled by imported LNG. However, power producers are concerned that a price cap fails to reflect the volatility in the LNG market and will make gas-fired plants uneconomic if prices spike as they did in the past three years.

"It's risky for both suppliers and buyers as LNG supplies and prices depend on geopolitical conditions, which are currently not stable," said Nguyen Thanh Son, a Hanoi-based energy expert, adding the price cap was not appropriate. The stakes are high for Vietnam as it struggles to wean itself off heavy reliance on coal to cut carbon emissions, and for global LNG producers that see the fast-growing economy as a ripe opportunity.

In its national power development plan last year, the government set a target to have 13 LNG-fired power plants with a combined capacity of 22.4 gigawatts by 2030, accounting

for 15% of the country's total power generation mix. If built, those 13 LNG-fueled power plants would require imports of 14 million tonnes of LNG per year, according to state-owned PetroVietnam Gas, which on current levels would make the country the sixth-largest market in Asia.

U.K. charges former execs of oil-trading firm with corruption

(Bloomberg; Aug. 1) - Alex Beard, the billionaire former head of oil at Glencore, was charged with corruption by the U.K.'s top fraud agency, alongside four other ex-employees from the commodities trader. Beard, 56, who was one of Glencore's top executives for more than a decade before leaving in 2019, is the highest-profile individual charged in a sweeping series of investigations into corruption and market manipulation at the company — and one of the most senior commodity traders ever to be charged with wrongdoing.

The U.K.'s Serious Fraud Office accused Beard of conspiring to make corrupt payments to benefit Glencore's oil operations in West Africa. The agency alleges he conspired to make the payments to government officials and employees of state-owned oil firms in Nigeria between 2010 and 2014, and Cameroon between 2007 and 2014. Also facing criminal prosecution is Andy Gibson, 64, Glencore's former head of oil operations.

Additionally, Paul Hopkirk, Ramon Labiaga and Martin Wakefield, former Glencore employees involved in trading West African oil, stand accused of conspiring to make corrupt payments to government officials and employees at state-owned oil companies in Nigeria, Ivory Coast and Cameroon. Glencore in 2022 pleaded guilty to corruption and market manipulation cases in the U.S. and U.K., admitting that it had paid bribes to win business in eight countries from Brazil to South Sudan. It paid about $1.5 billion to resolve the investigations against it.