Oil and Gas News Briefs
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Next-day U.S. natural gas prices fall to $1.24; lowest since 1990s

(S&P Global; March 13) - Cash natural gas prices at the U.S. benchmark Henry Hub sank to their lowest since the early 1990s in trading on March 13 as mild weather and rising inventory levels keep the Gulf Coast market oversupplied. In mid-session trading, next-day gas prices at the Henry Hub were moving around $1.24 per million Btu, with even lower prices recorded at other Gulf Coast hubs stretching from the Florida Panhandle to the shores of South Texas, data from Intercontinental Exchange showed.

According to historical data from S&P Global Commodity Insights, cash prices at most Gulf Coast hubs March 13 were trading near lows last seen in the early 1990s. At the Henry Hub, prices were even lower than those recorded in 2020 when the global coronavirus pandemic fueled a fallout in U.S. and international commodity prices.

U.S. gas producers scale back well completions amid weak prices

(S&P Global; March 13) - A number of U.S. natural gas producers are electing to drill but hold back a portion of their new wells this year as they work to simultaneously ease current oversupply conditions while setting themselves up for an expected rebound in prices in 2025. With near-term pricing firmly below $2 per million Btu and continuing to weaken, several operators have decided to defer well completions and connection lines or otherwise float the prospect, looking for a better market to bring those wells to sales.

Most recently, Appalachian producer CNX Resources announced March 12 it will delay completion of 11 wells within the Marcellus Shale in 2024. The deferrals are expected to reduce the company's full-year production by 30 billion to 550 billion cubic feet. Haynesville and Marcellus Shale operator Chesapeake Energy detailed plans to build up its inventory of drilled but uncompleted wells while deferring connecting lines.

EQT recently announced a gross production curtailment of 1 billion cubic feet per day lasting at least through the end of March. U.S. dry gas production is averaging 101.7 bcf per day to date in March, down from December's record of close to 106 bcf per day. Prompt-month Henry Hub gas futures settled lower at $1.65 March 13 as the market anticipates additional widening of the supply surplus. "We're looking in 2025, where you see a $1 higher pricing ... that's going to be further incentive for us to pinch back and deliver those molecules into a higher-priced market," EQT CEO Toby Rice said Feb. 14.

[First Nation and partner buy rights to Canadian gas line project]

(The Canadian Press; March 14) - A First Nation in British Columbia and a Houston-based firm are buying a ready-to-construct pipeline project that would supply a proposed floating liquefied natural gas export terminal north of Prince Rupert, B.C. The Nisga'a Nation — whose lands are located on the northwest coast of B.C. near the city of Terrace — and its partner, Western LNG, announced March 14 they will be acquiring the Prince Rupert Gas Transmission Project from Calgary-based TC Energy.

Financial details of the transaction were not disclosed. The Prince Rupert Gas Transmission Project is a permitted and ready-to-build gas pipeline that would run almost 560 miles from Hudson's Hope in central British Columbia, near the border with Alberta, to Lelu Island, near Prince Rupert. It was meant to supply the Pacific NorthWest LNG terminal, a C$36 billion project that spearheaded by Malaysian energy giant Petronas but scrapped in 2017 due to falling LNG prices and other factors.

The Nisga'a Nation and Western LNG have proposed their own project, the Ksi Lisims LNG project, which they say would be a floating production facility capable of producing 12 million tonnes per year of liquefied natural gas. The partners have not made a final investment decision for the project, which is in the early stages of consultations and hasn't received regulatory approval. But the purchase of the pipeline project means Ksi Lisims now has an advanced-stage piece of gas supply infrastructure.

[Most U.S. LNG to Asia continues to sail longer route around Africa]

(S&P Global; March 14) - Although drought-related transit restrictions have improved slightly at the Panama Canal since the start of the year, the proportion of U.S. LNG exports being sent round the Cape of Good Hope remains elevated in March as attacks on commercial shipping in the Red Sea force shippers to take the longer route to Asia. Of the total U.S. exports of 3.33 million tonnes delivered in March thus far, around 710,000 were delivered into Asia, with all volumes transiting through the Cape of Good Hope to reach their destination, according to data from S&P Global Commodity Insights.

No U.S. LNG has been delivered to Asia via the Suez or Panama canals so far in March, with the last U.S. cargo delivered via the Suez Canal arriving in Japan on Jan. 27. Following a historic drought in part caused by the El Niño weather pattern in the Panama Canal, the Suez Canal was the principal alternative route to Asia in November, but with the tensions in the Red Sea escalating in December more volumes began taking the longer route through the southern tip of Africa.

In 2024, 46 U.S. LNG cargoes have reached Asia via the Cape of Good Hope so far, compared with 66 for all of 2023. A total of 18 cargoes made the voyage in February, the highest monthly total since May 2021. Meanwhile, only 13 U.S. LNG cargoes have been delivered to Asia via the Panama Canal this year, compared with 145 cargoes for all of 2023. The additional shipping costs for going around Africa rather than through the Panama Canal to Asia are running about 50 to 70 cents per million Btu.

[Pause in U.S. LNG export approvals could delay projects]

(Bloomberg; March 15) - The Biden administration's pause on new licenses for liquefied natural gas exports is already stalling progress for projects that were aiming to come online later this decade. Several LNG buyers have delayed signing new long-term contracts with U.S. producers until there is more clarity, according to people with knowledge of the matter. Malaysian state oil and gas company Petronas is in talks with Cheniere Energy and other firms, but is reluctant to commit until licenses are approved, said the people, who didn't want to be named due to the sensitivity of discussions.

Japan's JERA and at least two China-based firms are also scrutinizing U.S. projects more closely before moving forward with negotiations, the people said. The U.S. — the world's biggest exporter of the power station and heating fuel last year — stopped approving new licenses in January so that the Department of Energy could study the potential effects of increased gas production and exports on climate change, the economy and national security. The process could last months, making it tough for project developers that need to lock in deals before they can get financing.

Venture Global LNG's CP2 project in Louisiana doesn't have the required approvals to move forward and is at risk of pushing back its final investment decision, a necessary step before major construction can begin, sources said. Sempra has already deferred its investment decision on a planned facility in Louisiana, and Commonwealth LNG has delayed construction of an export terminal in Louisiana. "The longer the pause lasts, the more problematic it is," said Paul Varello, Commonwealth's chairman and founder.

[Exxon opens up bidding for early work on Mozambique LNG project]

(Upstream; March 13) - ExxonMobil has started a crucial bid process covering early work on its huge Rovuma LNG project in Mozambique, the latest in several recent tenders issued by the supermajor linked to onshore and subsea infrastructure required for the development, planned at 18 million tonnes annual production capacity. Oil field service companies keen to win an engineering, procurement and construction contract, which includes building a 2,500-person construction camp in Cabo Delgado province, have until the end of this week to submit their responses.

Exxon and its partners aim for a final investment decision in 2025 after putting the development on hold in 2021 due to deadly insurgent attacks near an onshore liquefied natural gas construction project led by TotalEnergies. The French major is expected to resume construction at the site later this year.

U.S. Export-Import Bank loans on oil and gas project in Bahrain

(Reuters; March 14) - The U.S. export credit agency on March 14 voted to approve a $500 million loan guarantee for an oil and gas drilling project in Bahrain, testing a U.S. climate pledge to stop backing projects that expand the use of fossil fuels. The board of directors at the Export-Import Bank of the United States (EXIM) approved the project after voting last month to notify Congress about potentially supporting the expansion of more than 400 new oil wells and 30 gas wells in the Middle East country.

While the loan to Bapco Energies would be out of step with the Biden administration's pledge to stop public financing of fossil fuel projects overseas, according to Democratic lawmakers opposed to the loan and environmental activists, the agency said the project includes measures intended to reduce greenhouse gas emissions. Bapco had signed on to the COP28 Oil and Gas Decarbonization Charter, which commits it to achieve net-zero operations by 2050 and end routine gas flaring by 2030.

"This transaction will support thousands of U.S. jobs and play a crucial role in ensuring Bapco Energies is able to achieve its climate goals of enhanced grid interconnectivity, more efficiency, decarbonization and investments in large-scale solar projects," EXIM Chair Reta Jo Lewis said in a statement. An environmental group filed a complaint in December with the Organization for Economic Cooperation and Development over EXIM's oil and gas financing deals. EXIM is also weighing support of fossil fuel projects in Papua New Guinea and Guyana, with votes due later this year.

Exxon announces another oil discovery offshore Guyana

(Reuters; March 15) - ExxonMobil on March 15 disclosed a new oil and gas discovery in the prolific Stabroek block offshore Guyana, the company's first announced discovery in the South American country this year. The Bluefin discovery joins more than 30 since 2015 in the Stabroek block, a 6.6-million-acre area that is the site of more than 11 billion barrels of recoverable oil and gas.

The Bluefin well, located in the southeastern portion of the Stabroek block and drilled in 4,244 feet of water by the Stena Drillmax drillship, encountered approximately 197 feet of hydrocarbon-bearing sandstone, Exxon said. The company did not estimate recoverable reserves from the discovery. "Our exploration program continues to improve our understanding of the block's potential to drive viable oil-and-gas development," said the head of Exxon's Guyana operations Alistair Routledge.

A consortium led by Exxon began oil production in Guyana in 2019 and has ramped up output to 650,000 barrels per day this year, with plans to reach 1.2 million barrels per day by 2027. The other members of the consortium are Hess and CNOOC. The partner group is considering its first offshore natural gas production in Guyana, close to the country's maritime border with Suriname, which could come from its seventh project in the South American nation.

Another cost increase for Chevron-led oil project in Kazakhstan

(Bloomberg; March 15) - A major development led by Chevron to boost oil output at Kazakhstan's Tengiz field will cost about $48.5 billion, according to people familiar with the matter. The oil giant said at its third-quarter earnings in October that the budget for Tengiz, previously set at $45.2 billion, was rising by about 4% due to a slower than expected start-up. Now there will be a further $1.5 billion bump in the project cost, the sources said, asking not to be named because the information isn't public.

The expansion of the Tengizchevroil venture, known as the Future Growth Project, has delayed its full start-up into the second quarter of next year. The expansion is projected to add 260,000 barrels a day to production. The project has gone well beyond its initial budget of $37 billion and the completion date had already been rescheduled twice from the original mid-2022. Tengizchevroil is 50% owned by Chevron, while ExxonMobil and state-owned KazMunayGas have a 25% and 20% stake in the venture, respectively.

IEA now forecasts oil supply deficit if OPEC+ continues cuts

(Bloomberg; March 14) - Global oil markets face a supply deficit later in 2024, instead of the surplus previously expected, assuming that OPEC+ continues output cuts in the second half of the year, according to the International Energy Agency. Saudi Arabia and its partners agreed earlier this month to prolong roughly 2 million barrels day of production curbs to the middle of the year. The IEA assumes those measures will continue until the end of 2024, reflecting the "bloc's efforts to balance oil markets."

"The changed assumptions shift our implied balance into a slight deficit rather than the hefty build in last month's report," said the Paris-based agency, which advises major economies. It also boosted its forecast for global demand this year. While OPEC+ hasn't fully implemented its latest curbs, the measures are helping buoy crude prices against slowing consumption growth and abundant supplies from the Americas. Brent futures closed at a four-month high above $84 a barrel on March 13.

Global demand will average a record 103.2 million barrels a day this year, the IEA said. The agency has boosted its 2024 growth forecast by 50% since it was introduced last June, but it remains below OPEC's growth forecast. The IEA estimates consumption growth is decelerating sharply from last year as the post-pandemic rebound has run its course and the transition away from fossil fuels gathers pace. Rising oil consumption this year will be met by swelling supplies from the U.S., Brazil, Canada and Guyana, which would leave markets in surplus were it not for the OPEC+ cutbacks.

India has not bought premium Russian crude the past two months

(Newsweek; March 15) - India, a top purchaser of Russian oil, has stopped paying for Russian premium crude oil for two months now, according to a Russian newspaper. Prior to Russia's war in Ukraine, India rarely bought Russian oil. But after Moscow lost European buyers due to sanctions imposed by the West in response to the conflict, Moscow boosted its trade with China, India and Turkey, offering them discounts.

Russia's Deputy Prime Minister Alexander Novak said in December 2023 that India has become a major buyer of Russian oil, with supplies to the country increasing to about 40%. Kommersant, a national Russian newspaper, reported on March 14 that India — the largest buyer of seaborne shipments of Russian oil — has refused to purchase Russian premium ESPO grade oil, which has a low sulfur content — for about two months now. Imports stopped in January and February, the publication said.

The move will serve as a blow to Moscow, which depends on its oil exports and energy industry — they make up some 30% of the country's budget revenues and fund the ongoing war in Ukraine. India has also reduced shipments of Sokol, another premium grade of Russian oil, partially due to payments difficulties. Billions of dollars in Russian oil profits are stuck in Indian banks due to restrictions by the Reserve Bank of India, which prevent Russian companies from transferring rupees stored in bank accounts in India to Russia and converting them into rubles.

BP in talks to develop gas field shared by Venezuela and Trinidad

(Reuters; March 15) – BP and Venezuela confirmed on March 14 they are in talks with the Trinidad and Tobago government to develop a shared offshore gas field in the Caribbean. BP has been seeking to increase its natural gas production in Trinidad to feed into the local Atlantic LNG's liquefied natural gas export facility. BP's gas output has fallen in the past five years from over 2.2 bcf per day, down to 1.2 bcf per day.

"BP can confirm that it is in discussions with the government of Trinidad and Tobago and the Bolivarian Republic of Venezuela on the potential development of gas resources in the Manakin-Cocuina field," said BP in a statement. Venezuela's state-run oil company PDVSA said on social media it is considering issuing a license for exploring and developing non-associated gas on its side of the shared field.

The Manakin-Cocuina field straddles both sides of the countries' borders and BP said the development talks are in keeping with an easing of U.S. sanctions against Venezuela. The fields were unitized in 2015 but talks on the development were stalled upon imposition of U.S. sanctions in 2019 against Venezuela, said BP. The field is estimated to contain just over 1 trillion cubic feet of natural gas.

LNG developer complains of FERC delay in project approval

(Energy Wire; March 15) - The developer of a high-profile natural gas terminal blasted the Federal Energy Regulatory Commission on March 14 for leaving the project off the agency's monthly agenda. Venture Global, the developer of the Calcasieu Pass 2 project, said in a statement that it's "deeply disappointed" the project is "yet again absent" from FERC's agenda. The project, planned for Louisiana's Cameron Parish, seeks to liquefy and export 20 million tonnes of gas overseas annually.

"It has been eight months since FERC issued a final environmental impact statement for CP2, making it one of the longest to ever sit before the commission. We remain confident that we have met or exceeded all regulatory requirements that are necessary to move forward with the project," Venture Global said.

The CP2 LNG plant would be built next to Venture Global's existing Calcasieu Pass liquefaction plant in Louisiana. Besides FERC approval, CP2 LNG also needs export authorization from the Department of Energy. However, the Biden administration said in January it will "temporary pause" pending decisions for LNG export terminals while it conducts a review of climate and economic consequences of the growing industry.

U.S. LNG plant owner wants to keep documents confidential

(Reuters; March 14) - Liquefied natural gas exporter Venture Global LNG on March 14 delivered to U.S. regulators a proposed protective order seeking to keep documents on the construction of its Louisiana export facility confidential. The request will test the Federal Energy Regulatory Commission's willingness to back a call by Venture Global's customers to require the company to disclose details on the plant's start-up and repairs.

Venture Global has said it would not make the information available unless ordered by FERC. Customers, including BP, Shell, Edison, Repsol, Galp, Unipec and Orlen, filed with the regulator to comment on Venture Global's request, or objected to the lack of access to the documents, saying they could not evaluate the company's request without viewing them. They have accused Venture Global of selling billions of dollars of LNG since 2022 that should have been supplied under long-term contracts to them.

The Arlington, Virginia-based company has exported 257 pre-commercial cargoes at prices well above the rates that other exporters charged, Shell said in its request to FERC. Venture Global maintains it does not have to provide contracted deliveries to the customers while the LNG facility is still in its commissioning phase. The companies dispute that interpretation while so many cargoes have left the plant.

Canadian operations base ready for electric, LNG-powered tugboats

(Offshore Energy; March 14) - HaiSea Marine, a joint venture majority owned by the Haisla Nation in partnership with Seaspan, has welcomed its new floating operations facility, the home base for the “world’s greenest tugboat fleet” that will support gas carriers calling at LNG Canada’s new export facility in Kitimat, British Columbia. The new facility was built by Pacific Marine Construction and is ready to be transported up the Douglas Channel to Kitimat, where it will be based to support HaiSea’s operations.

The operations and maintenance building features a large workshop, common areas, a gym and accommodations for personnel to use during working hours. The facility will host HaiSea’s fleet of LNG-powered and fully electric tugs for LNG Canada’s new export facility, which will soon undergo commissioning operations. Three battery-powered tugboats, HaiSea Wamis, HaiSea Wee’git and HaiSea Brave, have already been delivered to HaiSea Marine as well as the first LNG-powered tugboat, Haisea Kermode.

Ukrainian drones strike Russian refineries

(Bloomberg; March 15) - Russia is one of the world’s biggest oil refining nations, and Ukrainian drones have struck at the very heart of the industry. The attacks moved up a gear again this week, hitting bigger facilities closer to Moscow including Rosneft’s Ryazan, one of the largest in the country. The wave of strikes on Russia’s oil refineries started in January and are intended to hamper the supply of fuel to the country’s troops and cut funding for the war, which is now in its third year.

More pressingly, the attacks could jeopardize domestic supply of gasoline, a politically sensitive issue in Russia. This week’s flurry of Ukrainian drone attacks have prompted a surge in prices for gasoline and diesel on Russia’s SPIMEX commodity exchange. The price for regular gasoline in the European part of Russia rose to a six-month high.

The refining system inherited by Vladimir Putin was largely built in Soviet times and had long lacked investment. Putin has pushed for the modernization of the refineries, partly by making changes to the tax system as a way to incentivize production of fuels such as diesel. That helped to boost exports of the fuel from the Baltic and Black Sea to global markets, generating more than the country would otherwise have got from its crude oil. This week’s strikes could curb exports of diesel by about 50,000 barrels a day, according to Mark Williams, a research director at Wood Mackenzie.