Oil and Gas News Briefs
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U.S. oil industry continues learning to produce more at lower cost

(Bloomberg; Oct. 31) - In a dusty swath of sagebrush country near the Texas-New Mexico border, engineers at oil producer Matador Resources encountered a problem. Conventional wisdom called for drilling four wells into the ground and then horizontally to access layers of oil-soaked rock, a technical feat perfected by the U.S. shale industry. But the plot of land was too narrow, limiting each well's reach and likely making them unprofitable. So the engineers tried a novel concept: a U-turn.

After boring vertically to the shale layer, they went sideways for a mile, curved the well around and then drilled back to where it began. It worked. Matador was able to pump the oil with two wells instead of four, essentially cutting costs in half. "It's astounding, really," says Matador CEO Joseph Foran. "You give people a target, and they'll find out better ways, better equipment, better techniques." The U-turn, or horseshoe well, is an example of the small improvements that together have pushed oil and gas producers to the biggest labor productivity gains of any U.S. sector over the past decade.

The nation's crude output has risen to a record 13.3 million barrels a day, 48% more than Saudi Arabia. All with less than a third of the rigs and far fewer workers than needed 10 years ago. America's oil industry has gone from being an outsider to stealing market share from OPEC, turning the U.S. into a net exporter of petroleum and becoming an engine of the economy. U.S. oil production will grow by 600,000 barrels a day in 2025, about 50% more than this year's growth, due to higher well productivity.

"The one thing that's been remarkable is the persistent productivity gain that we've seen," says Ken Medlock, senior director of Rice University's Center for Energy Studies at the Baker Institute for Public Policy in Houston. "If you go back to 2012, there were books written about how shale is going to be a flash in the pan, it's going to go away, and here we are 11 to 12 years later, and it hasn't gone away — it still keeps growing."

Record Permian Basin production boosts Exxon and Chevron

(Bloomberg; Nov. 1) - ExxonMobil and Chevron capped Big Oil's earnings season by revealing blockbuster increases in fossil fuel production — just as OPEC and its allies are preparing to increase the supply of crude into the global market. The U.S. oil majors' increases were fueled by pumping record amounts of crude from the Permian Basin, which continues to surprise analysts with year-over-year growth and efficiency gains.

Exxon’s oil and gas production, boosted by the $60 billion acquisition Pioneer Natural Resources, increased 24% from a year earlier while Chevron grew output by 7%.

It's happening amid a weakening outlook for oil prices, which have dropped about 12% in the past six months due to lackluster demand from China, the world’s biggest oil importer. They may drop even further if the Organization of the Petroleum Exporting Countries follows through with its plan to bring back previously curtailed production.

The growth in U.S. production — currently about 50% higher than Saudi Arabia — is helping to keep millions of OPEC barrels off the market. These barrels, combined with fresh supply from Guyana, Brazil and elsewhere, could mean that 5 million barrels a day of production capacity “will be available in 2025 that is not currently producing today,” Macquarie analysts said in a report. That’s against the backdrop of “relatively weak” demand growth, they said. The bank sees Brent crude declining below $70 a barrel, from about $73 currently, barring any major geopolitical events.

OPEC+ decides to postpone production increase by one month

(Reuters; Nov. 3) - OPEC+ has agreed to delay a planned December oil output increase by one month, the group said on Nov. 3, as weak demand notably from China and rising supply outside the group maintain downward pressure on prices. Eight members of OPEC+, which groups the Organization of the Petroleum Exporting Countries plus Russia and other allies, were due to raise output in December as part of a plan to slowly unwind the group's most recent layer of output curbs of 2.2 million barrels per day.

However, weak demand and economic data raised concern in the group about adding more supply, sources told Reuters last week ahead of the Nov. 3 decision to postpone the hike after consultations between ministers. The eight countries decided to extend the cut for a month until the end of December, OPEC said in a prepared statement. OPEC+ ministers hold a full meeting of the group to decide policy for 2025 on Dec. 1.

Oil prices closed Nov. 1 just above $73 a barrel, supported in part by the prospect of a further delay to the OPEC+ increase. Even so, Brent crude is still not far from its lowest levels this year of below $69, reached in September. OPEC+ had already delayed the increase from October because of falling prices, weak demand and rising supplies. The December hike was due to be 180,000 barrels per day, a small part of the total 5.86 million of output that OPEC+ is holding back, equal to about 5.7% of global demand. OPEC+ agreed to those cuts in separate steps since 2022 to support the market.

Houston oil refinery added to list of recent U.S. closures

(Reuters; Nov. 1) - Chemical maker LyondellBasell Industries on Nov. 1 detailed its long-announced plan to permanently shutter its 263,776 barrel-per-day Houston oil refinery in the first quarter of 2025. The planned closing marks the latest in a wave of U.S. refinery closures as motor fuel demand is expected to peak this decade and then decline under pressure from renewable fuels and electric vehicles.

In January, one of the facility's crude distillation units (CDU) and coker production train will shut, Lyondell refining chief Kim Foley told analysts on a call to discuss third-quarter results. In February, the second CDU-coker production train, which supplies the gasoline-producing fluidic catalytic cracker and ancillary units, will shut, ending motor fuel production at the plant, Foley said. Lyondell originally planned to shutter the Houston refinery in 2023 but extended its life due to strong fuel margins.

Last month, Phillips 66 and Valero Energy announced plans to close one California refinery and put two others under review for possible closure in that state. Phillips 66's 139,000 barrel-per-day Los Angeles refinery will cease production by the end of 2025. "The refinery … was originally designed to process in-state California crude production, and that has declined by about 75%," CEO Mark Lashier said. Valero CEO Lane Riggs said last month "all options are the table" for the company's 91,300 barrel-per-day Wilmington and 145,000 barrel-per Benicia, California, refineries.

New California laws for maintaining emergency inventories would penalize operators and make their refineries unprofitable, Valero said in a filing with the U.S. Securities and Exchange Commission. In the last wave of U.S. refinery closures, which occurred between 2017 and 2022, nine crude oil refineries with a combined capacity of 1.2 million barrels per day were idled or converted to production of renewable fuels.

Texas regulators ask state for $100 million to plug and clean up wells

(The Texas Tribune; Nov. 1) - Unable to keep up with the growing number of leaking and erupting wells in the state's oil fields, the Texas Railroad Commission, which regulates the state's oil and gas industry, has asked lawmakers for an additional $100 million in emergency funding — which would be equal to about 44% of the agency's two-year budget. Executive Director Danny Sorrell sent the letter two months after the agency filed its annual budget request in August, according to the Houston Chronicle.

Sorrell said the agency's $226 million budget request did not include enough money "to protect the groundwater and the environment" from increasingly common well blowouts. The agency follows a rating system to determine which wells it needs to plug first, according to Texas law. Priority 1 wells are leaking wells that pose environmental, safety or economic risks. An uncontrolled flow of water occurring at a well constitutes an emergency, said R.J. DeSilva, a spokesperson for the agency. In an emergency, agency staff “respond immediately to plug it,” he said.

The agency said it addresses actively leaking wells even if it doesn’t have the money in its budget for well remediation, a practice that Sorrell said has become unsustainable and caused the agency to plug fewer non-emergency wells each year. “These high-priority wells need to be taken care of before they become emergency wells,” he said. There are approximately 140,000 so-called orphaned wells in the U.S., with more than 9,000 in Texas, according to the Interstate Oil and Gas Compact Commission. These abandoned wells have been inactive for at least a year and have no clear ownership.

Enbridge may expand oil pipeline network capacity out of Canada

(The Canadian Press; Nov. 1) - Enbridge has begun talks with its customers about expanding its Mainline pipeline network to handle growing volumes of Canadian oil, the Calgary-based company said. "We have commenced commercial discussions with the industry. We’ve spent the quarter engineering the expansion," said Colin Gruending, president of liquids pipelines for Enbridge, on a Nov. 1 conference call with analysts.

While Enbridge doesn't have a cost estimate yet for the project, Gruending said, the expansion could be in service as early as 2026 or 2027. He emphasized it would be a small expansion that would add incremental capacity along the existing pipeline network, which has already been expanded many times over the course of its 75-year history. "It's really more of an optimization, not a retrenching or a new path. It’s in the (existing) right-of-way ... it’s very executable," Gruending said.

Enbridge's Mainline is the largest pipeline system in North America, moving crude from Western Canada to Eastern Canada and the U.S. Enbridge expects its full-year average volume on the Mainline network to exceed 3 million barrels per day in 2024. Canadian oil production and exports continue to boom, hitting an all-time production record in 2023 at 5.1 million barrels per day as companies ramped up in anticipation of the Trans Mountain pipeline expansion that now provides for more exports from the West Coast.

LNG export project delays will keep market tight into 2026

(Bloomberg; Oct. 31) - At the height of summer, Europe had hoped that the coming winter would be its last difficult one to secure enough natural gas. By the middle of next year, liquefied natural gas was expected to turn into a buyer’s market, easing the squeeze the region has suffered since Russia invaded Ukraine in 2022. No longer. After a series of export project delays and stronger-than-expected demand for the fuel in Asia, the LNG market is set to remain tight next year and probably until mid-2026.

The buyers won't have the upper hand until early 2027 when new supply will finally arrive, potentially flooding the market for years to come. LNG liquefaction plants are multibillion-dollar marvels of engineering, often located in far-flung corners of the world. But even industry leaders — such as ExxonMobil, Shell and QatarEnergy — often struggle with delays and cost overruns. Call it the Murphy's Law of the LNG industry: Any project that's scheduled to be built on time will be delayed — always.

The start-up of the Golden Pass LNG export project in Texas, co-owned by QatarEnergy and Exxon, has been postponed for six months until at least the end of 2025, following a contractor bankruptcy. The project, one of the largest expected in 2025-2027, may be delayed further, according to the consensus in the industry. Another big project in Texas, the Corpus Christie Stage 3, run by Cheniere Energy, is scheduled to start at the end of this year, but full production isn't likely until late 2025 or even early 2026.

Energia Costa Azul in Mexico, a smaller plant that U.S.-based Sempra is building, has been delayed a year until mid-2026. And even when projects suffer minor delays, they still have teething problems. Plaquemines LNG, a large project in Louisiana by U.S.-based Venture Global LNG, probably won't ship until January or February. Initially, the company had aimed to start the project this year. To be sure, a few other LNG projects will start on time and budget. But generally, buyers will have fewer supply options.

U.S. LNG export growth will pick up 2026-2028 after slowing in 2024

(Reuters; Oct. 31) - U.S. liquefied natural gas exports this year will rise about 2%, analysts estimate, the smallest annual increase since 2016 when the first big U.S. LNG export plant opened, launching a boom that drove the country's producers to the top of the list of world gas exporters. This year's slower gains reflect delays and production outages and the absence of a new facility since March 2022 when Venture Global LNG started up its Calcasieu Pass, Louisiana, project.

This year's 2% increase in export volumes, to an average 12.1 billion cubic feet per day, is down from 12% growth last year and an average growth rate of 43% between 2018 and 2022, according to data from the U.S. Energy Information Administration. The dollar value of U.S. exports reached a peak of $47.33 billion in 2022, when prices skyrocketed after Russia's invasion of Ukraine. Prices eased and last year's U.S. exports were valued at $34.27 billion, according to U.S. government data.

Faster growth should resume next year when new projects start. Gains could rise around 14% to an estimated 13.8 bcf per day in 2025, according to an EIA outlook. U.S. LNG capacity could more than double over the next four years, rising to around 17.8 bcf per day next year, 20.6 bcf in 2026 and 24.5 bcf in 2028, analysts estimate. Since 2023 the U.S. has been the world's largest exporter of the gas.

British Columbia expansion may be too late in crowded LNG market

(Delta Optimist; British Columbia; Oct. 31) – British Columbia is looking to expand its capacity to export liquified natural gas at a time when a “glut” of competition could strangle the province’s ability to recoup its investment, a new study has found. The report, produced by the U.K. firm Carbon Tracker on commission from the David Suzuki Foundation and the Pembina Institute, found all of B.C.’s proposed liquified natural gas projects are at risk of generating lower than expected returns as they arrive as a “late entrant” in markets already dominated by lower-cost, more established producers.

Thomas Green, the senior climate and policy adviser for the David Suzuki Foundation, said the report shows the international gas market will face oversupply by the end of this decade. “It really is a risky time to double down on further LNG expansion,” Green said. “The revenue streams that government has been counting on will likely not materialize and the projects may not end up in the black.”

Maeve O’Connor, a Carbon Tracker analyst and author of the report, wrote that the case to invest in more gas is often underpinned by assumptions that demand in LNG will rise, mostly in Asia, and that current supply will not be enough to meet future demand. “However, demand projections from both the industry and forecasting agencies indicate otherwise,” concluded O’Connor, who previously worked in financial market policy at the European Central Bank and in corporate finance and trading at the Bank of Ireland.

‘Fast LNG’ aboard offshore platforms delayed and overbudget

(Bloomberg; Oct. 31) - Billionaire investor Wes Edens co-owns an NBA team, co-founded one of the biggest names in alternative-asset management and peddles a premium tequila with basketball legend Michael Jordan. So why has getting a small-scale natural gas export project running in the Gulf of Mexico been so hard? Edens has been trying for years to revolutionize the industry that produces liquefied natural gas, a fuel that’s increasingly feeding the world’s power plants and factories.

Nearly every other LNG producer follows the same playbook: construct huge onshore facilities to liquefy gas for shipment to buyers around the world. Edens had a different idea: Instead of building on land, his vision comprised a series of mini production units miles offshore, built Lego-style atop jack-up rigs previously used for drilling oil and gas. His company, New Fortress Energy, made its final investment decision in early 2021 to build the first site, which it said would be operational by the end of 2022.

He dubbed the project “Fast LNG” and outlined plans to build as many as eight. The plants, which would be cheaper and faster to build than onshore liquefaction units, would be so transformative that Edens once said building them would channel the manufacturing efficiencies of Henry Ford. It hasn’t gone as planned. New Fortress has scaled back and now has just one site operating about 12 miles off the coast of Mexico instead of Louisiana, in part because the company struggled to obtain U.S. permits.

The first site is starting up almost two years behind schedule, with costs more than double from earlier estimates to more than $2 billion per site, according to the company's estimates. Along the way, New Fortress Energy's long-term debt has ballooned to $7.9 billion, more than triple its market cap. Some investors appear to be losing patience. Since hitting a record high of $61.70 in August 2022, New Fortress Energy's shares have plummeted more than 80% to below $9.

Tokyo Gas looks at equity stake in Louisiana LNG export project

(Reuters; Oct. 31) - Tokyo Gas is in talks with Woodside Energy over taking a stake in a multibillion-dollar Louisiana liquefied natural gas export project, according to two people familiar with the discussions. Woodside, an Australian oil and gas producer, this month closed on a $1.2 billion purchase of developer Tellurian, which had put itself on the market after nearly running out of cash trying to build a U.S. Gulf Coast facility that would convert U.S. shale gas into up to 27.7 million tonnes per year of LNG.

Tokyo Gas Natural Resources, the U.S. arm of Japan's largest gas and power utility, is holding talks on acquiring an interest in the project. The talks are ongoing and there is no guarantee they will complete a deal, one of the people said. Woodside and Tokyo Gas declined to comment. Woodside has said it is seeking equity partners to take minority stakes in the project, now called Louisiana LNG. CEO Meg O'Neill said earlier this month the company had received interest from "multiple parties."

Tokyo Gas Natural Resources owns U.S. shale gas production and late last year acquired gas producer Rockcliff Energy for $2.7 billion. It added to that deal this year by buying a 49% stake in energy marketing firm ARM Energy Trading. The Rockcliff deal made Tokyo Gas one of the largest shale gas producers in the Haynesville region, which straddles East Texas and Louisiana. It can pump more than 1.3 billion cubic feet per day of gas. An equity deal involving Louisiana LNG would be part of Tokyo Gas' strategy of securing gas supply from the United States.

Conoco CEO says supply overhang will slow down LNG decisions

(Natural Gas Intelligence; Nov. 1) - The surge in U.S. liquefied natural gas production capacity is coming, but it's likely to be another year or two before ConocoPhillips moves forward with any additional project final investment decisions, CEO Ryan Lance said Oct. 31. Speaking with investors during the third-quarter conference call, Lance said the management team is reviewing the state of future U.S. LNG export opportunities.

“It’s pretty tough to take FIDs in this space. Things have kind of shifted,” Lance said. The expected U.S. gas “supply overhang” now appears coming in 2027-2028, the CEO said. “Some are in construction today,” with many more projects still not sanctioned. It “continues to be pretty volatile in the marketplace. … We're making these investments for 20, 30, 40 years,” he said.

To succeed, Lance said, “You have to be in the full-value chain. You have to be on the regasification side. You have to be in ships to move it around.” ConocoPhillips is working to expand its marketing efforts to ensure it has a global LNG export strategy to gain premium pricing in overseas markets. LNG dealmaking is “the right thing long-term to do for the company, but there are periods of time when it's oversupplied, just like there'll be a period of times when it's undersupplied and the price will spike,” Lance said. “That's what we've seen over the last 30, 40 years in this business.”

Mitsui OSK may lose money on contracts for Russian LNG tankers

(Bloomberg; Oct. 31) - Japanese shipping company Mitsui OSK Lines said it may incur losses on its contracts for liquefied natural gas carriers related to the sanctioned Arctic LNG 2 export project in Russia. The company has had to modify charter contracts for three LNG carriers and one ice-breaking condensate tanker due to sanctions placed on Russia by the U.S. and Europe, the firm said in a statement on Oct. 31. A company spokesperson confirmed the tankers were related to the Arctic LNG 2 project.

Mitsui OSK is in negotiations with the parties involved but said it will look to sell the vessels if it is unable to fulfill its contracts to own and operate the carriers. The company may not be able to recoup its 105 billion yen ($687 million) investment in the four ships, it added. Arctic LNG 2 came under U.S. sanctions in 2023 as the White House tried to curb Russia’s export revenue. Mitsui OSK has previously said it is looking to sell the ships or transfer the contracts.

Russian shipyard delays delivery of ice-class LNG tankers

(Reuters; Oct. 30) - Russia's Zvezda shipyard is again delaying delivery of ice-class Arc7 gas carriers for liquefied natural gas plant Arctic LNG 2 to early 2025, Kommersant daily reported on Oct. 30, in yet another blow for the country's huge energy project. Novatek-led Arctic LNG 2 is already suffering a setback from Western sanctions. It started exports in August but has still not delivered any cargoes to the end-buyers.

Kommersant said the shipyard was delaying supply of two Arc7 tankers, citing unnamed sources. They said the first tanker could be delivered in early 2025, while the second is expected in the first quarter of 2025. Initially, the first tanker had been due to be delivered in March 2023, while the next four gas carriers were expected to be supplied during the last few months of 2023.

Western sanctions have blocked Arctic LNG 2 from access to foreign-built ice-class tankers, pushing the company to rely on Russian-built ships. Lacking sufficient tanker capacity to transit through the icy waters, Novatek reportedly shut down commercial operations at the liquefaction plant.

Mitsubishi grows its LNG supply portfolio

(Reuters; Nov. 1) - Japanese trading house Mitsubishi sees its liquefied natural gas output capacity growing by 5 million tonnes per year to over 17 million tonnes early in the 2030s thanks to its stakes in projects including in Malaysia and Canada. Mitsubishi is a minority shareholder in 12 LNG projects in Brunei, Malaysia, Australia, Oman, Russia, Indonesia, the U.S. and Canada, with total output capacity of 110.4 million tonnes per year, an earnings presentation by the company showed on Nov. 1.

The Shell-led LNG Canada project in British Columbia is due to ship its first cargo by mid-2025 but all the other projects are producing gas. Mitsubishi's share of LNG Canada will increase the company's production capacity to 14 million tonnes per year next year from 12 million per year now. In 2023, Japan imported 66 million tonnes of LNG for domestic use. The country is the world's second-biggest LNG importer after China but consumption has been declining in recent years as nuclear and renewable-power use increased. As a result, Japanese companies resell unused LNG volumes.

Serbia needs to reach new deal for Russian gas

(Bloomberg; Nov. 1) - Things have been going well for Serbian President Aleksandar Vucic. His country just got its first-ever investment grade and the economy is motoring along. He expects it to grow 4% this year, while some regional peers are either in recession or flirting with one. His goal to have average incomes more than triple by the time his term expires in 2027 is looking more realistic. There's one wrinkle, though. Serbia's favorable gas contract with Russian supplier Gazprom expires in the spring.

Vucic needs to negotiate new deliveries to ensure the economy keeps its momentum. But the Serb strongman's once warm relations with Russian President Vladimir Putin have cooled since Russia's full-scale invasion of Ukraine in 2022. So far, walking the tightrope between Serbia's interests in the west and east has worked. Now the question is whether Vucic can still strike another multi-year gas deal at discount prices for Serbia from its old ally.

After a phone call with Putin — the first in two and a half years — “we’ll have to start discussion, which is not going to be easy,” Vucic said this week at his Belgrade office. Serbia has been trying to diversify gas supplies since the war in Ukraine, including a new transit pipeline link via Bulgaria. First, it will check how much it can get from Azerbaijan, Vucic said. Then it will figure out what it needs to do with Russia.

Mauritania wants to use gas to electrify and industrialize its economy

(Bloomberg; Nov. 1) - Mauritania will prioritize using gas from BP’s Greater Tortue Ahmeyim development as it looks to increase access to electricity while it adds more renewable energy. The nation will use the fuel from the oil major’s offshore liquefied natural gas project — located on the maritime border with Senegal — to feed a planned 230-megawatt power plant, Oil and Energy Minister Mohamed Khaled said in an interview in the capital. The LNG project is expected to start up late this year.

The West African country is building more renewable capacity, but “we see gas as a major component for our energy transition,” Khaled said. “Maybe in the future, in the next 20 or 30 years, we will move completely to renewables, but we see gas as a transition energy.” Another power plant that would connect to the Banda LNG project is also expected, with the timeline contingent on completion of both developments.

Mauritania is among several African countries that aim to use gas from new projects led by international oil companies, typically focused on LNG exports, to industrialize their economies. Growing electricity generation capacity will also help to improve energy access that lags across the continent. Just over half of Mauritanians have electricity connections, with access for 93% in urban areas but 10% in less populated regions of the country, Khaled said. “We’re looking at mini-grids, solar or hybrid, for these areas.”

Chinese company plans $10 billion power project; mostly renewables

(Bloomberg; Oct. 30) - China Three Gorges Renewables is planning a massive power base mixing wind, solar, coal and batteries in the Taklamakan Desert, the company said in an exchange filing Oct. 30. The total investment for the project would be as much as 71.8 billion yuan ($10 billion). It would include 8.5 gigawatts of solar panels, 4 gigawatts of wind turbines, six 660-megawatt coal power generators and 5 gigawatt-hours of battery storage, the company said in the filing.

The project is part of a plan to fill China’s unused desert land with clean electricity generation and transport it on long-distance power lines to densely populated cities. Coal, the country’s mainstay fuel, is often included to help balance the intermittent supply from wind and solar. This project, in southern Xinjiang, would deliver about 36 billion kilowatt-hours a year — more than enough to power Ireland — to Sichuan and

Chongqing. The company also announced plans to spend up to 4.7 billion yuan on an offshore wind project with 400 megawatts capacity off the Fujian province coast.

Drought cuts hydro power, forces Columbia to burn more fossil fuel

(Bloomberg; Oct. 30) - Dry weather is forcing Colombia, which has one of the world's most aggressive climate plans, to burn more fossil fuel. Colombia's electrical system is vulnerable to drought because roughly two-thirds of the nation's electricity comes from hydro plants. But after months of parched conditions, the Andean nation's energy regulator last month called upon fossil fuel-powered plants to boost output in an effort to conserve shrinking water reservoirs.

As a result, about 40% of the country's electricity is coming from fossil fuels, well above the 25% average for this month over the past decade, according to data from Colombia's power system operator XM SA. Of that, about two-thirds is from burning natural gas and most of the rest is from coal. That comes as President Gustavo Petro aspires to reduce Colombia's reliance on fossil fuels. The leftist leader has made fighting climate change a priority, refusing to sign new drilling contracts even as the country faces a looming gas shortage.

Arid weather has been so severe that Bogotá has been rationing water since April. Colombia's water reservoirs are at 53% of capacity, compared to the 10-year average of 71% for October, according to data from XM. Plants that burn gas or coal are a key part of the nation's power grid because they are invulnerable to most weather threats, said Daisy Cerquera, a former member of the Regulatory Commission of Energy and Gas.

Oil trader Trafigura's loss in Mongolia fraud could top $1 billion

(Bloomberg; Nov. 2) - Trafigura is a giant of commodity trading. On any given day, it handles enough oil to supply the entire needs of France three times over. Its global reach stretches from U.S. crude oil export infrastructure to fuel stations in more than 20 countries across Africa, Asia and Latin America. Yet in a distant corner of its empire, far from the attention of top executives in Geneva and Singapore, a crisis has been brewing for some time. This week, the company admitted it faces a loss in Mongolia of up to $1.1 billion, linked in part to suspected fraud by its own employees.

Trafigura alleges that staff manipulated payments while concealing a mountain of overdue debts, allowing the exposure to run out of control for years. The revelation was a bombshell. Most shocking was the scale of the likely loss relative to the size of Mongolia's oil market. There are over 100 countries that use more oil than Mongolia, according to data from the U.S. Energy Information Administration, among them

Luxembourg and Nepal. Its consumption of about 35,000 barrels a day is worth roughly $1 billion a year. For Trafigura, Mongolia made up less than 0.3% of all the oil it traded.

The debacle is shining another harsh light on the company's internal controls and raises questions about why it took almost a year to fully disclose the situation. For outsiders, it reinforces commodity trading's fast-and-loose reputation, coming months after some of the biggest players — including Trafigura — pleaded guilty to corruption charges in the U.S. Speaking privately, nine bankers said they were astounded by the size of the potential loss, and want to know how Trafigura will prevent it happening again. Still, the loss is unlikely to affect the company's ability to borrow money, several of them said.