

# Oil and Gas News Briefs

## Compiled by Larry Persily

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#### **Expanded oil line to Canadian coast boosts government revenues**

(Calgary Herald columnist; Aug. 7) - The payoff from new energy infrastructure in Canada comes with some big numbers — along with big costs. A new report released Aug. 6 shows that the Trans Mountain oil pipeline expansion from Alberta to British Columbia's West Coast helped narrow the price discount on Western Canadian Select (WCS) heavy crude during its first year of operations, raising total oil revenues in the country by an estimated C\$13 billion.

The study by Alberta Central chief economist Charles St-Arnaud shows a big bump to government coffers, with provincial revenues increasing by C\$4.4 billion — and C\$2 billion of corporate income taxes expected to be paid to Ottawa this year. "It's like adding a month of production for free," he said. In the Alberta government's current fiscal year, St-Arnaud estimates a narrower discount on the price of WCS sold by producers — averaging around \$10 a barrel — should further boost provincial revenues.

Precision Drilling CEO Kevin Neveu said the report captures the clear economic benefit from the Trans Mountain expansion. But it didn't come cheap. The project almost tripled the capacity of the line that moves Canadian oil to the coast for export. The federal government acquired Trans Mountain seven years ago when it appeared the private-sector owners were set to walk away from the expansion due to political and regulatory uncertainty. Construction costs soared from initial estimates of \$5.4 billion to \$34 billion, and the project was hammered by legal delays, the pandemic and extreme weather.

#### **Canada not unified in call for new oil pipelines**

(Calgary Herald; Aug. 7) - Three Canadian provinces are opening the floodgates for pipeline proposals, but industry observers are questioning the viability of a project that would ship oil across the country. The governments of Alberta, Saskatchewan and Ontario are looking for companies to conduct a feasibility study into a new "economic and energy corridor," including a possible pipeline from Alberta east to Ontario.

But there's a "major impediment in between those provinces," said Martin Pelletier, a senior portfolio manager at Wellington-Altus Private Counsel. "It's called Manitoba." In all of the announcements on Aug. 7, Manitoba wasn't mentioned. In July, Alberta Premier Danielle Smith, Ontario Premier Doug Ford and Saskatchewan Premier Scott Moe signed an agreement to collaborate on building pipelines and trade infrastructure across provincial borders.

Manitoba Premier Wab Kinew did not sign the agreement, emphasizing the need for consensus of Indigenous stakeholders before proceeding with major new infrastructure. Even with support of three provinces, Pelletier doubts a pipeline would get built unless Ottawa scrapped extensive regulatory reviews under a bill derided by critics as the “no more pipelines act.” Existing laws make it “impossible” to attract investment, he said. Jeremy McCrea, a Bank of Montreal energy analyst, echoed the criticism. Among the sticking points for investors are proposed federal policies such as an emissions cap.

### **Canada’s Energy Minister talks up port on Hudson Bay for exports**

(Bloomberg; Aug. 7) - The Canadian government is looking hard at developing a remote northern port on Hudson Bay as a conduit for exporting natural gas, potash, canola and other commodities as the country tries to reduce its economic dependence on the U.S. Energy Minister Tim Hodgson said he sees “tremendous potential” for turning the port of Churchill, Manitoba, into a much larger export hub, opening new trade routes to Europe and other markets. The minister said he has seen multiple pitches for projects to move goods through the location, which is at almost the same latitude as Oslo, Norway.

“I believe there is an opportunity to make Churchill a far more strategic port,” Hodgson said in an interview with Bloomberg News. “If you look at what the Russians are doing, they ship for most of the year from their Arctic ports.” The idea of a northern port enjoys the enthusiastic backing of politicians from Canada’s resource-rich western region, including Alberta Premier Danielle Smith and Saskatchewan Premier Scott Moe, whose provinces are major exporters of oil, gas and agricultural commodities.

Some observers are skeptical about Churchill as a viable shipping route. Turning it into a port capable of handling a wide variety of goods would take years and cost billions of dollars, for a route that’s still blocked by ice much of the year. Churchill’s port was first used as an outlet for grain exports in the early 1930s and is the continent’s only deepwater port with direct access to the Arctic Ocean and a rail line connecting south.

### **Mexico plans to increase use of fracking to boost production**

(Reuters; Aug. 7) - Mexico is planning to increase the use of hydraulic fracturing to tap unconventional hydrocarbon deposits and boost oil and gas production after years of declining output, marking a shift in its stance on what some say is a highly polluting practice. The evaluation and development of resources hidden deep underground within complex geological formations is part of a 10-year plan unveiled Aug. 5 to revitalize Petroleos Mexicanos, or Pemex, Mexico’s deeply indebted state energy company.

Mexico had attempted to exploit unconventional oil and gas plays that required hydraulic fracturing, or fracking, following sweeping energy reforms in 2014, but the

bidding processes to secure contracts were unsuccessful. Former President Andres Manuel Lopez Obrador, in office from 2018 to 2024, ruled out developing oil and gas reserves via fracking, a practice he publicly condemned and which environmentalists object to because it uses large volumes of water and contaminates groundwater.

President Claudia Sheinbaum, Lopez Obrador's successor, has signed off on the production method, however, even though she had said during her 2024 election campaign she would not allow it. Pemex on Aug. 5 presented its revitalization plan during Sheinbaum's daily press conference, reporting there is significant potential in fields with "complex geology," referring to shale basins which rely on fracking technology. This includes about 64 billion barrels of crude oil-equivalent production, mainly in the basins of Tampico-Misantla, Sabinas-Burro Picachos, and Burgos.

### **[UAE investment arm closes on 24% stake in U.S. energy company](#)**

(The National; Middle East news website; Aug. 8) - Abu Dhabi's Mubadala Energy has closed on a U.S. natural gas investment by acquiring a stake in a company backed by alternative-asset manager Kimmeridge, marking its first significant investment in the U.S. energy market and advancing its global strategy. The energy arm of the UAE capital's sovereign wealth fund now owns a 24.1% equity stake in Kimmeridge's SoTex HoldCo, which has been rebranded to Caturus, Mubadala said on Aug. 8.

Caturus is building an integrated natural gas and LNG export platform in the U.S. through its upstream operations under Caturus Energy, formerly Kimmeridge Texas Gas, and Commonwealth LNG, a 9.5 million-tonne-per-year liquefied natural gas export terminal that will be located near Cameron, Louisiana. Commonwealth has reported it expects to make a final investment decision on the project before the end of the year.

The partnership and Mubadala's foray into the world's largest economy and largest oil and LNG producer comes as the company seeks to broaden its global footprint. Mubadala Energy, previously known as Mubadala Petroleum, has been actively expanding its portfolio. Its latest partnership in the U.S. signifies the focus it has on key energy markets. The UAE in May announced plans to increase the value of its investments in the U.S. sector to \$440 billion by 2035, from the current \$70 billion.

### **[Appalachian shale region enjoys booming demand for gas](#)**

(Fortune; Aug. 9) - Natural gas has always been the overlooked little brother to oil that drives the fossil fuel industry, going back to the well in 1859 in Pennsylvania which launched the U.S. oil and gas industry. But the dynamics have changed — especially in the heart of the gassy Marcellus Shale in Pennsylvania. Gas demand is booming thanks

to the electricity feeding frenzy from data centers, skyrocketing liquefied natural gas exports, and the ongoing retirements of aging coal plants replaced by cleaner gas.

Many of the nation's top gas producers all have major Appalachian footprints and market cap values that have spiked by 25% to 75% the past 12 months. Meanwhile, crude oil-weighted stocks are almost all down, mired in a prolonged slump of middling pricing, weaker demand growth and surging OPEC production hikes. A decade ago, the gas industry's fortunes focused on seasonality and cold winters driving demand, Range Resources CEO Dennis Degner told Fortune.

"Now we're talking about power and data centers and LNG essentially doubling over the next few years. Those are all big, diverse demand components that really get us excited about the durability of our business model." The Appalachian region — primarily the Marcellus and Utica shale plays in Pennsylvania, West Virginia and Ohio — produces just over one-third of the nation's gas — and very little oil — with proximity to Virginia's growing Data Center Alley and, now, more AI infrastructure expected within Appalachia.

### **Additional OPEC+ oil not yet fully coming to market**

(Reuters; Aug. 6) - OPEC+ oil producers have used high summer demand to launch their first output increases in three years, but those targets have proved difficult to hit, leaving the market surprisingly tight. On paper, the world's largest group of oil-producing countries should be pumping an extra 2.5 million barrels of oil a day in September versus March, but the data shows that is not likely to happen.

The reason is twofold, with some countries finding it hard to pump more, while others are being instructed by OPEC+ to hold back, as punishment for producing above their quotas in the past. "Iraq and to a lesser extent Russia are compensating for past overproduction and Kazakhstan was already producing at maximum capacity back in March," said Jorge Leon, a former OPEC official who now works as head of geopolitical analysis at Rystad Energy. "So the higher quota does not imply higher production."

The OPEC+ increases have also come at a time of low stocks in Organization for Economic Cooperation and Development (OECD) developed nations, a legacy of earlier OPEC+ cuts. "Over the past three years, OECD crude inventories have stayed consistently low, especially in the U.S.," said Homayoun Falakshahi, an analyst at Kpler. "OPEC announcements need to result in more exports, when we see exports, the market will start to correct," said one veteran crude trader regarding future oil prices.

## **Egypt increases purchase of Israeli gas to avoid costly LNG imports**

(Reuters; Aug. 7) - Israel's Leviathan natural gas field has signed the largest export agreement in the country's history, worth up to \$35 billion to supply gas to Egypt, NewMed, one of the partners in the offshore field, announced on Aug. 7. The deal should ease an energy crisis in Egypt, which has spent billions of dollars on importing liquefied natural gas since its own gas production fell short of demand.

Egypt's production began declining in 2022, forcing it to abandon its ambitions to become a regional LNG supply hub. It has increasingly turned to Israel to make up the shortfall. Under the deal, Leviathan, off Israel's Mediterranean coast, with reserves of some 21 trillion cubic feet of gas, will sell about 4.6 tcf of gas to Egypt through 2040, or until all of the contract quantities are fulfilled. The gas is delivered via pipelines, making it cheaper than LNG, the cost of which is inflated by the super-cooling needed to make it a liquid that can be transported by ship and regasifying it when it reaches its destination.

"It's much, much, much, much better, like dramatically better, than any LNG alternative, and it will save billions of dollars to the Egyptian economy," NewMed CEO Yossi Abu told Reuters in an interview. Under the deal, Leviathan in a first stage will supply Egypt with 700 billion cubic feet of gas starting in early 2026 after the connection of additional pipelines. It will export the remaining volumes in a second phase that will begin after completion of the Leviathan expansion project and the construction of a new transmission pipeline from Israel to Egypt via Nitzana in Israel, NewMed said.

## **India will have problems buying more expensive U.S. energy**

(Reuters commentary; Aug. 7) - The fresh 25% tariffs slapped on Indian goods by U.S. President Donald Trump this week are being viewed by many as a negotiating tactic designed to force India to buy more U.S. energy products and other goods going forward. But even though India's fast-growing economy is the fifth-largest globally, India's energy importers may have far less room to maneuver than they might appear. The rapid rise in India's purchases of discounted Russian oil since mid-2022 has been a sore point for the U.S. and Europe and has been a focal point during recent trade talks.

Tight corporate operating margins, cost-sensitive consumer markets, binding long-term import contracts and slowing economic growth all limit India's ability to spend big on U.S. oil, liquefied natural gas, coal and refined products over the near term. At the same time, India's location at the base of Asia means it is far closer to other major energy product exporters than it is to the United States, which would trigger sharply higher shipping costs if it were to switch to U.S.-origin products.

Indian authorities have said that providing energy security for its 1.4 billion people has been the main driver of its oil imports, and that the new U.S. tariffs are unfair given that the country is only acting in its own self-interest when it buys discounted Russian oil. No

doubt some Indian corporations will be cajoled into pledging major U.S. purchases and investments during upcoming trade negotiations, which may help in Washington, D.C. But U.S. exporters of oil, gas, coal and fuels that are hoping for massive, viable and binding purchase commitments by Indian buyers are likely to be left disappointed.

### **Indian buyers hold off on more Russian oil until government guidance**

(Bloomberg; Aug. 7) - India's state-owned oil refiners are pulling back from purchases of Russian crude for now, according to people with direct knowledge of the companies' procurement plans, as Washington ratchets up the pressure on New Delhi over the flows with a wave of harsh tariffs. Companies including Indian Oil Corp., Bharat Petroleum Corp. and Hindustan Petroleum Corp. plan to skip spot purchases of the crude in the upcoming buying cycle, until there's clear government guidance, said the people, who asked not to be identified as they aren't authorized to speak publicly.

The global oil market has zeroed in on India's crude purchasing after President Donald Trump doubled the levy on all Indian exports to the U.S. as a direct punishment for the country's refiners taking Russian crude. The escalation — which hasn't yet been matched by similar action against China, another major buyer of Russian crude — is meant to put pressure on Moscow to end the war in Ukraine.

The tension has swung futures this week as traders assess the odds of disruption to flows, as well as Moscow's ability to find other buyers should Indian refiners opt to take fewer barrels. Officially, New Delhi hasn't given any direction to refiners to stop buying Moscow's crude, with Prime Minister Narendra Modi's government pushing back against Trump's tariffs. Beyond term contracts, producers and refiners typically make purchases in short-run cycles, booked about one-and-a-half to two months ahead of loading.

### **Russian oil will need new buyers if India shuns the country's crude**

(Bloomberg; Aug. 8) - Washington's efforts to choke Russian oil flows to India are raising the question of what will happen to the millions of barrels a day that would otherwise have been headed to the subcontinent. India's state-owned refiners appear to be pulling back from spot purchases in the absence of official guidance from New Delhi, although what private processors will do is unclear. That potentially leaves a lot of oil — Russia sent 1.7 million barrels a day to India last month — looking for a new home.

China, the most likely destination for the excess oil, doesn't recognize unilateral sanctions, and takes both Russian and Iranian crude. But it also tends to fret about excessive dependence on a single supplier, and it's uncertain if its refiners can absorb many more barrels at a time when the economy is not firing on all cylinders.

“If anybody can do it, it’s the Chinese,” said Neil Crosby, an analyst at Sparta Commodities. “But if Trump starts to say he’s going to target China over Russian oil purchases, what is it worth to the Chinese to have a bit more Russian oil? I’m not sure.” If a significant portion of the crude can’t find takers, the hit to supply could push global oil prices higher. It could be a \$10 to \$20 a barrel jump, according to Capital Economics, basing its estimate on market moves in the wake of Russia’s invasion of Ukraine.

### **Consortium plans second floating LNG plant for Argentina**

(Oil & Gas Journal; Aug. 8) - Southern Energy, a consortium of Pan American Energy, YPF, Pampa Energía, Harbour Energy and Golar LNG, has confirmed a final investment decision to install a second floating gas liquefaction plant in Argentina. The vessel, the MKII, will be deployed off the coast of Río Negro by late 2028 and will operate alongside the Hilli Episeyo, which is scheduled to begin operations in the fourth quarter of 2027.

With both vessels online, the Argentina LNG 1 project will double its production capacity to 6 million tonnes per year, equivalent to almost 1 billion cubic feet per day of natural gas, for export. The first phase (2024–31) will require roughly \$3.2 billion in investment, while the second phase (2032–35) will account for an additional \$2.8 billion.

Hilli Episeyo was converted by Golar LNG in 2017 from a hull originally built in 1975. It currently operates offshore Cameroon and will be moved to Argentina. It has a production capacity of 2.4 million tonnes per year. It will be moored in Golfo San Matías. MKII, originally built in 2004 as an LNG carrier, is undergoing conversion at a shipyard in China. It will have liquefaction capacity of 3.5 million tonnes per year. Both floating units will get gas from Neuquén Basin — primarily from the Vaca Muerta formation.

The floating model offers advantages over onshore LNG plants, including lower initial capital costs, faster development and greater operational flexibility. It also circumvents regulatory and environmental bottlenecks typically associated with land-based plants.

### **Opponents object to possible U.S. rule change to allow LNG by rail**

(Energy Wire; Aug. 8) - Environmental groups are blasting an initiative from the Trump administration that they see opening the door to shipments of liquefied natural gas by rail. It’s the latest development in a yearslong debate over how LNG can be transported from where it’s produced to where it’s used. Opponents call trains shipping the supercooled gas “bomb trains.” Supporters call them “rolling pipelines.”

Trump administration officials at the U.S. Pipeline and Hazardous Materials Safety Administration asked for public comments on whether there might be commercial



interest in shipping LNG. "The transportation of LNG by rail is known to be dangerous to communities and to help drive climate change," Mark Izeman, a senior attorney at the Natural Resources Defense Council, said in a comment dated Aug. 1. Federal rules do not allow LNG by rail, but the Trump administration is working on new regulations.

The requests for comments on LNG-by-rail are part of a broader deregulatory effort at PHMSA. In June, the agency issued two advance notices of proposed rulemaking and sought input on whether there are requirements in pipeline safety or hazardous materials regulations that should be removed or changed to improve efficiency or because they place "undue burdens" on the energy industry.

### **North Dakota private property owners dispute royalty deductions**

(Inforum; North Dakota; Aug. 4) - For more than half a century, Diana Skarphol's family received a check every month from the company that drilled on its land the first successful oil well in North Dakota. Her family received a percentage of the revenue generated from the company's production, called a royalty. But in April 2015, when she opened that month's check and looked at the statement detailing her share, she noticed for the first time that a significant portion of the payment had been deducted. About 35% of what she thought she was owed was gone, and she didn't know why.

The Skarphols remember that call because it was the start of a frustrating, decade-long search for answers from the company, Hess, and of a string of unanswered pleas for help from the state, which has not taken action to help royalty recipients. Over the past decade, Hess has withheld about 31%, or \$137,635, of the Skarphols' royalty income to cover the company's costs to move oil and gas from the well to market, records show.

Oil and gas companies owed the state's private mineral owners, like the Skarphols, an estimated \$4.6 billion in 2023 before deductions, according to North Dakota State University research. But those deductions — which can vary greatly — are deeply contentious in the state: The companies claim certain costs should be shared by royalty owners, while the property owners say that in most circumstances, the deductions shouldn't be permitted at all. The state itself doesn't regulate what can be deducted and there is no official accounting of how much of that money is withheld.

### **BP announces deeper job cuts as part of corporate 'reset'**

(Houston Chronicle; Aug. 7) - BP, the global energy giant with its U.S. headquarters in Houston, is now planning to cut 6,200 office jobs — up from the 4,700 layoffs it announced just seven months ago. That's a 32% jump, and with Houston home to the company's largest employee base, the effects could be significant. BP employs about 4,000 people in the Houston area, more than any other location in its global footprint.



While the company hasn't said exactly how many local jobs will be impacted, concerns are growing that the Bayou City could take a hit as the oil giant continues its company-wide restructuring. Beyond full-time employees, BP also is trimming its contractor workforce. Since January, it has let go of 3,200 contractors, with another 1,200 exits planned by the end of the year. The expanded layoffs are part of BP's broader "reset" strategy, first announced in January, aimed at slashing costs by \$2 billion by 2026.

That shift includes stepping back from renewables and doubling down on traditional oil and gas production — a pivot from BP's earlier green-energy ambitions. CFO Kate Thomson confirmed during the company's second-quarter earnings call that about 6,200 jobs are expected to be cut by the end of the year. The jobs are part of BP's 40,000-person office-based workforce, and most of the cuts will take place in the fourth quarter.