Oil and Gas News Briefs
Compiled by Larry Persily
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Arbitration starts this week in Exxon-Chevron dispute over Guyana

(Wall Street Journal; May 25) - ExxonMobil and Chevron are battling this week over rights to one of the world's most coveted oil projects, a contest that has chilled the relationship between their senior executives and threatens to upend the industry's hierarchy. Exxon's move last year to derail Chevron's $53 billion purchase of Hess rankled Chevron's senior executives and damaged a once-amicable relationship between the two rivals, people familiar with the matter said.

The fight hinges on Exxon's claim that it has a contractual right to pre-empt Chevron's bid for Hess's stake in a major oil project in Guyana. Chevron and Hess say Exxon doesn't have the right to interfere in the corporate acquisition. Talks failed, and Exxon filed for arbitration last year. A private arbitration hearing starts in London on May 26. By August or September, the panel will decide whether Exxon and another partner in the Guyana venture, China's CNOOC, have the right to counter Chevron's bid for Hess's 30% stake in a generational oil discovery of 11 billion barrels of oil and gas.

"What it highlights is how valuable big, low-cost oil fields really are in a world where it's getting harder and harder to find them," said Dan Pickering, chief investment officer of Pickering Energy Partners. The ruling will hinge on interpretation of several lines in a confidential contract. It's a must-win for Chevron. Hess is a big player in North Dakota's Bakken Shale, but its crown jewel is Guyana. Hess's share of the Guyana project could be worth $40 billion, analysts estimated last year. The project is fueled by six production vessels now pumping around 650,000 barrels a day. Exxon hopes production will reach 1.3 million barrels a day by 2027. That is more than the entire Bakken produces.

Texas protects from liability drillers that sell wastewater

(The Texas Tribune; May 28) - The Texas Legislature has given oil and gas companies legal cover to sell wastewater to be treated and released into rivers, lakes and streams. State Rep. Drew Darby's House Bill 49 — on its way to Gov. Greg Abbott — solves an issue the oil and gas industry has said is a key barrier to expanding the treatment of the brine it generates, known as produced water, and making it available for reuse.

The bill protects landowners, oil, treatment and transportation companies from liability should problems arise after they sell or treat the liquid. Record oil and gas production in Texas is only outmatched by the backwash that comes to the surface. There are five barrels of produced water for every barrel of oil. Texas oil companies are increasingly using this liquid, which is trapped in the rock where drilling occurs, to frack more. Now, companies believe the water can help replenish the state’s water supply, which is under strain due to a larger population, withering infrastructure and climate change.

Four treatment companies applied for state permission to release the water into the state’s waterways. Under Darby’s bill, companies that sell the water can’t be held responsible if someone else uses the water. Treatment and transportation companies and landowners also qualify for protection, including in cases of personal injury, death or property damage. Companies and landowners can only be sued when they are grossly negligent, commit intentional, wrongful acts of omission, break state or federal laws, or fail to satisfy standards set by the Texas Commission on Environmental Quality.

Crude oil thefts on the rise in Texas

(Houston Chronicle; May 26) - In March, a sheriff's deputy drove out to an oil field west of Odessa, Texas, after the owner called in to report two of his storage tanks were short more than 400 barrels of crude, worth about $31,000. There was no evidence indicating what happened to the oil, but such incidents have become routine in the oil and gas fields surrounding Midland and Odessa, said Winkler County Sheriff Darin Mitchell.

"I had a case last week. They stole 600 barrels of crude from a single location," he said earlier this month. "And it's not just oil they're taking. Everything that's not bolted down from copper wire to diesel to trash trailers, you name it, someone sees it not being guarded it's pretty much gone." Oil theft has been part of doing business in West Texas for as long as people have been drilling, but over the past two years there's been a surge in activity, according to the Texas Department of Public Safety.

That has attracted interest from state and federal officials, who are weighing whether to boost funding to law enforcement and strengthen criminal penalties. It is not clear what's driving the uptick, but there's suspicion it's part of an international enterprise operating on both sides of the U.S.-Mexico border. A spokesman for the Texas Department of Public Safety, which is part of a FBI task force investigating the thefts, said inquiries point to the involvement of criminal organizations, including Mexican drug cartels.

European utilities hedge against wind power coming up short

(Bloomberg; May 27) - After spending about $380 billion over the past decade to nearly double wind power capacity in Europe, utilities are now turning to an obscure and little-known market to protect themselves against a prolonged bout of calm weather. The wind drought is a reminder that no matter how much you build, actual generation will always be dictated by how much it blows. Wind speeds across Europe during February to April likely had their biggest drop from long-term averages since 1940, according to data from the University of Maine's Climate Change Institute.

As a result, utilities are turning to the weather derivatives market and are striking more wind hedging deals for this summer than in the past, said senior structurer Pierre Buisson at reinsurer Munich Re. He's worked on four to five major requests recently, more than usual, and the focus has turned to the summer months, he said. "Interest in wind hedging has grown significantly over the last two to three years, and the current wind drought has added more fuel to the fire," said Ralph Renner, a former power trader and head of origination at Parameter Climate, who advises companies on hedging.

Operators are buying contracts that offer protection against lower-than-expected wind output. If a utility expects to produce a certain amount of terawatt-hours of wind power during a period, but falls short due to insufficient wind, it will receive compensation from their counter party — Munich Re, Swiss Re or other similar firms. Weather derivatives have been around for decades to protect against adverse weather patterns. They are common in other industries, too, from farming to sporting events and travel.

India not replacing China as growth engine for global oil demand

(Bloomberg columnist; May 26) - India is the stuff of dreams for OPEC and Big Oil: a rapidly developing nation of nearly 1.5 billion people where petroleum consumption is still in its infancy. It is the next China — or so the theory goes. Perhaps one day, but in 2025 it's still the stuff of dreams. For years, energy economists have talked about "structural tailwinds" — including benign demographics, a burgeoning middle class and accelerating urbanization and industrialization — that would propel Indian oil demand.

Those phenomena turned China into the world's engine of petroleum demand growth for a quarter century. From 2000 to 2025, the Asian giant added an average of 485,000 barrels a day every year to global consumption. Now the boom is ending. If the bulls were right, India would be taking over by now. But it isn't. For the past three months, its oil demand growth has been contracting. As things stand, India consumption may rise by as little as 130,000 barrels a day this year, about half what many thought a year ago. That would be the smallest annual increase in a decade, excluding the pandemic.

Until now the consensus — but perhaps optimistic — view was that New Delhi would add about 1 million barrels of extra demand from 2025 to 2030. The expectation that India would add lots of extra oil consumption is in part anchored in comparing it today with China. The average Indian consumes today about 1.4 barrels of oil a year, well below the 4.3 barrels a year of the average Chinese. As the world's third-largest consumer, India is still a power in the oil market. But it increasingly looks like India will be a large force inside a smaller global oil growth muscle: good, but not game changing.

U.S. oil industry pulls back in face of tariffs, falling prices

(Financial Times; London; May 25) – U.S. oil companies are cutting spending and idling drilling rigs, as President Donald Trump's tariffs push up costs and falling crude prices squeeze profits, prompting executives to warn that a decade-long shale boom is ending. Surprise decisions by OPEC+ to pump more oil have compounded the gloom across the oil patch, sparking fears of a price war and prompting analysts to cut output forecasts.

"We're on high alert at this point," Clay Gaspar, CEO at Devon Energy in Oklahoma, told investors this month. "Everything is on the table as we move into a more distressed environment." U.S. output will fall by 1.1% next year to 13.3 million barrels a day, according to S&P Global Commodity Insights, as prolific shale drillers that made the U.S. the world's biggest producer idle rigs in the face of prices driven lower by fears of oversupply and Trump's trade war. That would mark the first annual decline in a decade, excluding the 2020 pandemic when collapsing demand sent oil prices below zero.

The watchword now is 'hang in there'," Herbert Vogel, CEO at SM Energy in Denver, said at the Super DUG conference in Fort Worth. A fall in production would end a stunning run in U.S. energy, where the shale revolution delivered ever greater volumes of cheap oil and gas to power the economy, a boost to GDP and labor markets, and an export surge that improved the country's trade balance. Soaring shale output has also broken the U.S. dependence on foreign suppliers such as Saudi Arabia.

Canada's oil sands lease prices down 18% from last year's average

(Bloomberg; May 26) – A boom in sales of drilling rights in western Canada's oil heartland of Alberta is fading as U.S. President Donald Trump's trade war and OPEC+ production increases hammer crude prices. The average price paid to lease oil sands lands for development tumbled to C$771 per hectare this year, according to provincial data. That's down 18% from last year's average, which was the highest since 2007. For lands outside of the oil sands, the price has fallen 25%.

The slumping land prices are an early sign the Canadian drilling boom spurred by last year's completion of the Trans Mountain pipeline expansion to a West Coast export terminal may be coming to an end. With the Trans Mountain project giving producers almost 600,000 barrels of new daily shipping capacity, drillers increased output and snapped up new drilling sites, sending land prices to multidecade highs in 2024.

But the twin shocks of Trump's global tariffs and OPEC+'s faster-than-expected production increases have sent oil prices tumbling to four-year lows in recent weeks, sapping drillers' appetite for new production sites. "Canada is not immune to the world's oil price pains," said Trevor Rix, head of the Canadian oil and gas research team at Enverus. The softening in Canada's oil patch mirrors the situation in the U.S., where drillers are retrenching and some CEOs are saying shale production has likely peaked.

Chevron barred from importing Venezuela oil to U.S.

(Wall Street Journal; May 28) - The Trump administration granted Chevron a narrow license to preserve its oil-producing assets in Venezuela after the company's Biden-era waiver to pump oil there expired May 27, according to sources. Chevron can maintain key infrastructure in Venezuela but is barred from importing oil from the South American country to the U.S. as part of President Donald Trump's campaign to isolate Caracas.

The license mitigates the risk of a seizure of Chevron's assets by Venezuela and would allow the company to quickly resume operations in the event of a thaw between the countries. It puts Chevron in a familiar holding pattern over one of its premier assets, similar to the three-year pause in operations that began in 2019 after Trump, then in his first term, imposed sanctions on Venezuela. In late 2022, then-President Joe Biden allowed Chevron to restart operations in a bid to coax Caracas into negotiating reforms.

Chevron had lobbied the Trump administration to allow it to keep pumping in Venezuela. But the company failed to overcome pressure from Florida lawmakers who had threatened to withhold their support for Trump's spending bill last week unless the administration forced Chevron to pull out. The license opens another chapter in Chevron's rocky tenure in Venezuela, which peers abandoned decades ago amid a wave of asset seizures. Chevron stayed, hoping to recover billions of dollars of debt. Chevron produces around 220,000 barrels a day of crude in Venezuela.

First production modules arrive at British Columbia LNG project site

(The Squamish Chief; British Columbia; May 26) - If you were looking out over British Columbia's Howe Sound on May 24, you may have seen a bright yellow heavy-load carrier sailing under the Netherlands flag, guided by tugs heading toward Squamish. It was hauling the first of multiple liquefied natural gas production modules heading to the Woodfibre LNG site. The pipe rack modules are the first large-scale components of the under-construction LNG export facility to arrive at the site for installation.

Now that they have arrived in Squamish, the modules — which were built at the QMW McDermott Fabrication Yard in Qingdao City, China — will be moved into place and mounted on their permanent foundations. The modules are pre-assembled structural steel frameworks that will house and support piping carrying LNG from the facility's liquefaction unit to floating storage tanks and the loading facility.

"This is a huge milestone for the Woodfibre LNG project, as it's the start of our facility going vertical — where people will really start to see the facility take shape," said Luke Schauerte, CEO of Woodfibre LNG, in a news release. All told, 19 modules are set to arrive at the site throughout the remainder of 2025 and into 2026, the company said in the release. The US$5 billion export project is designed to produce 2.1 million tonnes of

LNG per year. The venture is owned by a Singapore development firm (70%) and Canadian pipeline company Enbridge (30%), with production expected to start in 2027.

British Columbia LNG project waiting on pipeline permit

(Calgary Herald; May 27) - The fate of British Columbia's next big liquefied natural gas terminal rests on a pivotal political decision about a pipeline even as momentum builds for the project, which already has a third of its LNG output under contract and more deals are in the works. Proponents behind Ksi Lisims LNG say they are increasingly confident about the commercial viability of the 12-million-tonne-per-year floating LNG terminal at Pearse Island but have to wait on a decision on the environmental certificate for the Prince Rupert Gas Transmission pipeline that would deliver gas to the terminal.

"The project's kind of gaining momentum, but there are still several key hurdles that need to really happen before this project is looked upon as more certain," Ian Archer, an associate director at S&P Global and an expert in North American natural gas markets, said. Earlier this month, French oil giant TotalEnergies announced an agreement to buy 2 million tonnes per year of LNG from Ksi Lisims, the second major offtake purchase announced for the project after Shell announced a similar deal in 2023.

The offtake agreements have been welcome demonstrations of the project's commercial viability for its backers, Western LNG, the Nisgaa Nation, and Rockies LNG Partnership, which are set to make a final investment decision later this year. In particular, TotalEnergies' decision to also purchase a 5% stake in Western LNG could help in both advancing detailed design work and in placing orders for specialized equipment that can take months or years to deliver, said Western LNG CEO Davis Thames. A decision is likely soon on the provincial certificate for the 497-mile pipeline.

Canadian gas producer will supply Cheniere LNG plant in Louisiana

(Upstream; May 28) - Cheniere Energy has signed a long-term gas supply deal with Canadian Natural Resources for a planned expansion at its Sabine Pass terminal in Louisiana, the liquefied natural gas exporter said May 28. Under the 15-year pact, the producer will sell 140 million cubic feet per day of gas to Cheniere, which will liquefy the gas at Sabine Pass, Cheniere said in a news release. Canadian Natural Resources produces oil and gas, primarily in Alberta and British Columbia, including an average of 2.45 billion cubic feet per day of gas in the first quarter of this year.

The gas will be turned into about 850,000 tonnes per year of LNG. Cheniere said it will pay Canadian Natural Resources an LNG-linked price based on the Japan-Korea Marker benchmark for the fuel. The contract is expected to start in 2030, conditional on Cheniere reaching a final investment decision on the Sabine Pass expansion, which will add 20 million tonnes per year of production capacity to the operation which currently has an annual capacity of 30 million tonnes. The Sabine Pass expansion is still awaiting approvals from the Federal Energy Regulatory Commission and the Department of Energy. Cheniere has said it is hoping for a final investment decision by early 2027.

Glenfarne selects Worley to update Alaska gas pipeline cost estimate

(Oil & Gas Journal; May 27) - Glenfarne Group subsidiary Glenfarne Alaska LNG, the majority owner and lead developer of Alaska LNG, a joint venture with the state-owned Alaska Gasline Development Corp., has selected global engineering company Worley to undertake additional engineering and prepare a final cost estimate for the project's gas pipeline in sufficient detail to achieve a final investment decision.

In a release May 27, Glenfarne said this work has begun and will supplement the package of previous engineering work and update the pipeline cost. The 42-inch-diameter pipeline would be constructed in two phases. The first phase would deliver a small quantity of gas about 765 miles from the North Slope to the state's population center around Anchorage. The second phase would add compression equipment to fill the pipeline with a much higher volume of gas and add about 42 miles of pipeline under Cook Inlet to the site of the proposed Alaska LNG export plant on the Kenai Peninsula.

Glenfarne anticipates a final investment decision on the pipeline this year. The Alaska Gasline Development Corp. has been publicizing an old cost estimate of less than $11 billion for the first-phase pipeline.

Australia approves extension for LNG plant to 2070

(Reuters; May 28) - Australia conditionally approved on May 28 a request by Woodside Energy to extend until 2070 the life of its North West Shelf liquefied natural gas production plant, following a six-year review dogged by delays, appeals and backlash from environmental groups. The facility on the Burrup Peninsula in Western Australia is the country's oldest and largest LNG plant and a key supplier to Asian markets, but concerns that its emissions could imperil ancient rock art held up a decision.

In a statement, Environment Minister Murray Watt said the approval of project's operating extension was subject to strict conditions, "particularly relating to the impact of air emissions levels." The impact of emissions on the Murujuga rock art on the Burrup Peninsula was considered as part of the government's assessment process, he added. The project's existing approval had been set to expire in 2030.

Australia nominated the Murujuga landscape for World Heritage listing in 2023; a U.N. advisory body has warned it was at risk from industrial pollution, including emissions from the gas plant. Estimated to be up to 50,000 years old, the rock art is of cultural and spiritual significance to indigenous Australians. Woodside's extension application in 2018 was caught up in state and federal assessment processes stemming from competing concerns over energy security and its environmental impact. The extension lays the groundwork for Woodside to bring online new gas fields to feed the LNG plant.

Taiwan will hold referendum on restarting nuclear power plants

(Oilprice.com; May 26) - Taiwan will hold a referendum in August on whether the just-shuttered last nuclear reactor should be restarted once safety checks are completed, in a major reversal of the country's policy amid energy security concerns. Taiwan, which is being threatened by China, has decided to phase out its nuclear reactors. Its Democratic Progressive Party has a policy of phasing out nuclear power by the end of 2025. Taiwan shut its last nuclear reactor, Maanshan, earlier this month.

Since 2018, Taiwan has shut down four other nuclear reactors and stopped construction of two others following a referendum in 2021. However, pro-nuclear opposition parties have submitted a motion for a referendum to restart the Maanshan nuclear reactor if thorough inspections find that it is safe to do so. Taiwan's Central Election Commission has approved the proposal for the referendum, which will be held on Aug. 23.

Earlier this month, the parliament amended the country's nuclear power act to allow plant operators to apply for a 20-year license renewal beyond the existing 40-year limit. This legislative effectively opens the door to restarting nuclear plants in the country. Still even if the referendum to reverse the phase-out is successful, safety checks will take at least three years — therefore, the Maanshan reactor will not be reactivated soon.

Japan's Mitsui asks government help with LNG tanker sanctions

(Bloomberg; May 27) - Mitsui OSK Lines is seeking help from the Japanese government after a surprise decision by the European Union to sanction three of its liquefied natural gas tankers linked to a Russian LNG project. "We are not at all happy about this, so we are now lobbying the EU through various channels, including the Japanese government," Chief Executive Officer Takeshi Hashimoto said in an interview May 27.

The North Moon, North Ocean and North Light — managed by Mitsui OSK — were included in the 17th package of sanctions adopted by the European Council last week. The measures were part of the EU's mounting efforts to push Moscow into a peace deal with Ukraine. The vessels recently helped move shipments from Yamal LNG, which is not under sanctions, when they loaded cargoes transshipped near the Russian port of Murmansk, where cargoes arrive on ice-class ships directly from Yamal, according to shipping data compiled by Bloomberg.

Some of the vessels are already loaded and Mitsui OSK will unload them as soon as possible, Hashimoto said. “I think those vessels will be unusable for some time to come,” he said. “But, to be honest, they have been saying for a long time that the Yamal project is not subject to sanctions, and suddenly these ships are subject to sanctions.”

Russian LNG carriers get ready to sail Northern Sea Route

(Barents Observer; May 28) - Sea ice is still lying thick over the Arctic waters. But Russia's fleet of liquefied natural gas carriers is already prepared to move into the sea ice. At least five of the LNG carriers that are sanctioned by the European Union are among the vessels that have gotten formal approval for this year's sailing on the Northern Sea Route. Judging from the registry of the NSR Administration, the ships are allowed for sailing in the area from May 23, 2025, to Feb. 20, 2026.

The carriers are part of the so-called shadow fleet that exports sanctioned Russian hydrocarbons to international markets. Like other sanctioned ships, they have repeatedly changed names, ownership and flag states over the past three years. The five LNG carriers have ice-class category Arc4, which allows them to sail independently through light ice conditions. Since their inclusion in the sanctions list, the carries have been drifting idle in the Barents Sea. That standstill is now likely to come to an end.

As soon as the layers of sea ice shrink, the carriers will set course for the Gulf of Ob where they will load gas from either the Yamal or Arctic LNG 2 plants. Among the sanctioned carriers now preparing for sailing on the Northern Sea Route is the Christophe de Margerie, Russia’s first top ice-class LNG tanker of the Yamal2 max class. For five months, the Christophe de Margerie has drifted and sailed back and forth in the waters that separate the Barents and the Kara seas. The carrier has permission to sail on the route without icebreaker escort starting June 1.

Power-plant coal prices tumble amid global oversupply

(Financial Times; London; May 25) - Thermal coal prices could fall further from their four-year low, said analysts, as surging production in China leads to a glut across global markets. Benchmark prices for seaborne thermal coal, used at power stations to make electricity, have tumbled to one-quarter of their peak levels in 2022, when Russia’s full-scale invasion of Ukraine sparked an energy crisis and a huge bull market in coal.

A period of high prices in 2022 and 2023 — from which some miners and hedge funds were able to reap large profits — drove a surge in production, with China, India and Indonesia opening new mines. Domestic output in China, the world’s biggest producer and consumer of thermal coal, has been at record levels this year, which has led to a drop in the amount it needs to import. High inventory levels in China and in India, the world's second-largest coal user, have also contributed to the sluggish market.

This year, analysts expect coal prices to slip further from their current levels because of the amount of supply on the market, before recovering during the second half of the year as summer air conditioning demand kicks in. Most of the world's thermal coal is mined domestically and used in the same country where it is produced — only about one-tenth is shipped internationally. Global coal demand has risen steadily in recent years, despite the sector being shunned by some environmentally minded investors, reaching a new record last year, due to growing demand from power stations.

Texas moves to require inactive wells to be plugged after 15 years

(The Texas Tribune; May 27) - Texas oil and gas companies face new deadlines to plug defunct wells after the state Legislature agreed this week to send Gov. Greg Abbott a bill setting new rules. The bill, which passed with bipartisan support in both chambers, is the first legislative step in years toward addressing the growing environmental problem for which the state's taxpayers have become increasingly responsible.

Senate Bill 1150 requires oil and gas operators to plug wells that have been inactive for at least 15 years. The Texas Railroad Commission, the agency regulating the oil and gas industry, must start enforcing the new rules in 2027. The Texas Oil and Gas Association applauded the bill. The bill "recognizes that once a well has reached the end of its economic life and there is no useful purpose, the owner should be responsible for the plugging," said Todd Staples, the association's president.

More than 150,000 inactive wells puncture Texas land, regulators estimate. Nearly 8,900 of them have no established owner because the company is either bankrupt or no longer exists. Some of these "orphan wells" become conduits for water traveling underneath them. At least eight have burst with brine since October 2024, costing the state millions of dollars to fix. Current Texas law allows oil companies to indefinitely extend the amount of time they have to plug wells. Middleton's bill changes that.