Oil and Gas News Briefs
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Norway's new field on target to pump 440,000 barrels a day in 2020

(International Business Times; Dec. 26) - Norway's huge oil and gas industry, under pressure from environmentalists, has nonetheless moved to aggressively ramp up production. The newly discovered Johan Sverdrup oil field in the North Sea began operations in October and is slated to deliver about 0.5 percent of global oil demand by next year. Johan Sverdrup currently produces more than 350,000 barrels per day.

Equinor, the field's operator, expects Johan Sverdup to hit its target of 440,000 barrels per day by the summer of 2020, then rise further to 660,000 barrels per day after 2022. This field is projected to have a life span of 50 years. "At its peak, it will represent approximately 25 percent to 30 percent of the total oil production from the Norwegian continental shelf," said Arne Sigve Nylund, the head of Equinor's Norway operations.

More than 50 percent of Norway's oil reserves remain untapped, said former oil minister Kjell-Børge Freiberg. "We will be a supplier as long as there is demand for oil and gas." Moreover, oil is a cash cow for Norway, financing about 20 percent of the government's budget. However, the new field has alarmed environmentalists. "It doesn't matter to the climate crisis whether the oil came from Saudi Arabia, the U.S., or Norway. We need to stop looking for new oil and gas," said Frode Pleym, head of Greenpeace Norway.

Chinese imports of Saudi oil up 53% from last year

(International Business Times; Dec. 28) - China has imported a record amount of oil from Saudi Arabia this year as U.S. sanctions have made it more difficult for Beijing to purchase crude from Iran and Venezuela. In November, China imported 8.21 million tonnes of crude oil from the Saudis, pushing the total volume of imports for the first 11 months of 2019 to a record of 76.33 million tonnes (about 550 million barrels), a 53% surge from the previous year.

Saudi Arabia is now China's top oil supplier, followed by Russia (70.3 million tons of oil through November, up 9% from the previous year) and Iraq (47.08 million tons, up 13.7%). On the whole, China imported a record high of 45.74 million tons of oil in November. November marked the second consecutive month China purchased no oil from Venezuela while imports from Iran amounted to 14.36 million tons for the year through November, a 47% plunge from the same period in the prior year.

China is certain to keep purchasing even more Saudi oil as the two nations have established various joint ventures in petroleum refining, storage, and sales. Due to the trade war and a 5% tariff on U.S. oil, China only purchased 6.35 million tons of crude oil from United States through the first 11 months of the year, a 48% slump from 2018. In 2018 China imported 69.8% of its oil needs.

U.S. shale producers increasingly come up short of estimates

(Wall Street Journal; Dec. 29) - The early promises of blockbuster shale wells that many drillers made to investors are looking even more suspect as the wells age. For years frackers touted estimates of how much oil and gas their wells would produce as they sought to raise capital and entice shareholders. Many of the estimates are falling short.

Earlier this year The Wall Street Journal reported that wells drilled recently in the four largest U.S. oil regions were on track to produce nearly 10% less oil and gas over their lifetimes than companies forecast. The Journal collected well productivity forecasts from 29 of the largest shale producers between 2014 and 2017 and compared them to estimates from energy analytics firm Rystad Energy.

Now fresh data from Rystad suggests the gap between predictions and performance may be widening as the wells get older and decline rates become clearer. Together the companies now are on track to generate closer to 15% less oil and gas than they told investors they would, the Journal's analysis shows. That translates to roughly 1.4 billion fewer barrels of oil and gas over 30 years. Fracking's widening projection gap means companies likely will have to spend more and pump faster to maintain output.

Putin positions Russia for long-term gas export revenues

(Bloomberg columnist; Dec. 26) - One of Russian President Vladimir Putin's most ambitious projects — a natural gas export system to match the new geopolitical reality — is taking its final shape. The finishing touches include launch of the Power of Siberia pipeline to China on Dec. 2, the Nord Stream 2 pipeline to Germany, a new gas transit deal with Ukraine and commissioning the TurkStream line, planned for January.

At the same time, Russia has made a point of competing with the U.S. and Middle Eastern suppliers on the fast-expanding market for liquefied natural gas. Novatek, a private company in which state-owned Gazprom is a minority shareholder along with France's Total, started exporting from its enormous LNG facility on the Yamal Peninsula in 2018, and this year approved a $21 billion investment in a second Arctic LNG plant.

Gazprom's capital spending has averaged $6.4 billion per quarter the past five years, almost one-quarter of the company's average revenue over the same period. Now that the infrastructure is mostly in place and the gas needed to feed it is either online or coming online in the near future, the marginal cost of exporting gas will be relatively low and Russia is guaranteed a solid export revenue stream in a fast-changing global gas market. That's important for a country that exported $49.1 billion worth of gas in 2018 and collected some 7 percent of its budget revenues from the gas industry.

Russia willing to cut taxes to promote Arctic oil and gas

(CNBC: Dec. 27) - While the world focuses on trade wars and shifting geopolitical dynamics, Russia has been quietly expanding its own political, economic and military influence in a lesser-watched space: the Arctic. It is estimated that there could be trillions of dollars' worth (as much as $35 trillion) of untapped gas and oil reserves, as well as mineral resources, that Russia and its Arctic neighbors are keen to tap.

In a bid to encourage increased Arctic exploration and production, the Kremlin announced in October a trillion-ruble tax cut, around $40 billion. The tax cut reportedly came after domestic and international investors said they would only invest in Vostok Oil, a project led by Russia's largest oil company Rosneft, if the government gave in to demands from Rosneft for preferential tax rates. Vostok Oil is expected to pump almost 2 million barrels of oil a day, almost a fifth of what Russia now produces, Reuters noted.

"Arctic development is indeed costly for Russia, but the government deems it necessary, and legitimate, to perform 'great power status' across this new frontier, as well as to anticipate the negative impact of climate change for coastal regions in the Arctic Zone of the Russian Federation," Mathieu Boulegue, a research fellow at the Russia and Eurasia Programme at Chatham House, told CNBC.

Opponents ask FERC to reconsider 3 Texas LNG projects

(Houston Chronicle; Dec. 26) - The Sierra Club and other opponents of three proposed liquefied natural gas export terminals at the Port of Brownsville in Texas are asking the Federal Energy Regulatory Commission to reconsider its Nov. 21 approvals of the controversial projects. In three separate Christmas Eve filings, the opponents of Rio Grande LNG, Annova LNG and Texas LNG asked for a rehearing on FERC's decision.

Opponents argue that FERC failed to take a hard look at the impacts the projects would have on other industries in the region, air pollution, water quality, endangered species, a historic Native American site, neighbors living near the proposed plants and the impacts the export terminals could potentially have on climate change. Located just a few miles north of the U.S./Mexico border, the three Brownsville projects would receive gas via pipeline from the Permian Basin of West Texas and other shale plays across the U.S.

If they go ahead, the projects could represent over $38 billion of private investment. The Sierra Club was joined in all three requests by the Defenders of Wildlife, the City of

South Padre Island, the City of Port Isabel, the Town of Laguna Vista, the Save RGV From LNG coalition, and Texas RioGrande Legal Aid, which is working on behalf of the community groups Shrimpers and Fisherman of the RGV and Neighbors for the Well-Being of the Coastal Community. Opponents are soliciting donations for a legal fight, signaling that the rehearing requests are a procedural step toward filing a lawsuit.

Opponents challenge expansion of Dakota Access oil line

(Chicago Tribune; Dec. 26) - Oil has been flowing through the Dakota Access pipeline across Illinois since the summer of 2017, traveling underground from the Mississippi River to a hub in a tiny central Illinois town. Every day an average of 560,000 barrels of oil flows through the line. The company that owns the pipeline, which begins in North Dakota, wants to nearly double the volume, pumping up to 1.1 million barrels from the oil-rich Bakken region through South Dakota and Iowa into Illinois.

To increase the flow, the company wants to build a series of new pump stations along the 1,172-mile route. In Illinois environmental groups and a landowner with property near the line have filed objections with state regulators, arguing that pumping more oil through the pipeline will increase the risk of spills and leaks along the rural route. “I don’t trust these people to operate in a safe and rational manner,” said Bill Klingele, who owns farmland adjacent to the pipeline in Brown County in western Illinois.

Since summer, the pipeline company and the environmental groups have been locked in legal wrangling with no immediate end in sight. The opponents are pushing for more information on why the increased oil flow is needed and objecting to the risks involved. The oil companies that own the line are promoting the economic benefits of the project. The fate of the expansion is also being questioned in Iowa and North Dakota. In Iowa public utility commissioners required the pipeline company to file detailed answers to questions about how the upgrades will affect operations before they vote on the project.

New state restrictions hit California oil drillers

(The Bakersfield Californian; Dec. 27) – California Gov. Gavin Newsom's regulatory crackdown on oil production is beginning to take a toll on Kern County's economy. Bakersfield-based oil producer Aera Energy said Dec. 27 it will remove one drilling rig from its earlier-planned lineup of six in 2020. That's a 17 percent reduction the company said will take 90 direct jobs away from one of its local contractors, Golden State Drilling.

Aera attributed the reduction to two recent state regulatory changes: extra layers of permitting scrutiny for fracking and a temporary ban on high-pressure steam injections. Both technologies are commonly used in western Kern County. "One of those disruptions alone, we could've weathered through. But the two of them together just presented some challenges," Aera spokeswoman Cindy Pollard said.

Investors eye Canadian oil patch over U.S. shale

(Financial Post; Canada; Dec. 26) - Generalist investors have shunned the Canadian oil and gas sector for five years, but experts say that could change because of a slowdown in the U.S. shale sector. Investors are becoming increasingly concerned that wells drilled in the top U.S. shale oil and gas formations have been less productive than advertised and that companies are spending too much capital on drilling programs. As a result, less capital is becoming available to U.S. exploration and production companies.

Some investment managers now believe that Canadian oil and gas companies are better suited than their U.S. competitors to attract investor funds next year. "Money is starting to come back," Matco Investments vice chairman Michael Tims said, cautioning it has not yet led to massive quantities of new money flowing into Canada. "The relative standing of Canada, which has been low in recent years, has been rising," he said.

"The generalists that I've spoken to have said they want to be back in oil, but they feel like Canada is a better place to be because they feel like the heyday of (U.S.) shale is over," said Phil Skolnick, a New York-based analyst at Eight Capital who covers the Canadian oil and gas industry. In addition, Canadian oil sands companies have been able to demonstrate that their production does not sharply decline over time, whereas shale oil plays face steep declines each year.

Texas oil and gas industry contracts in fourth quarter

(Bloomberg; Dec. 27) - The contraction of the oil and gas industry in and around Texas continued in the fourth quarter as shale producers cut back on spending and jobs, the latest survey from the Federal Reserve Bank of Dallas showed. The survey covers not just Texas but energy-rich parts of Louisiana and New Mexico. The bank's indexes for capital spending, employment and employee hours were negative for the fourth quarter.

The data showed oil field service companies bearing the brunt of the slowdown. Overall, it reinforces the gloom surrounding oil and gas, with shale producers struggling — and largely failing — to achieve consistent free cash flow and investor returns in the face of stagnant oil prices and a plunge in the price of natural gas. Next year may bring little respite. On average, respondents in the survey expect West Texas Intermediate crude to sell at $58.54 a barrel by the end of 2020, down about $3 from Dec. 20.

The controversial practice of gas flaring also featured in the survey. A lack of pipeline capacity was the main reason most frequently blamed for flaring. “No one wants to flare gas; that is like burning money! It is only flared or vented out of necessity,” one respondent said. “The flaring of natural gas is wasteful and should not be allowed by the Texas Railroad Commission. Flaring is energizing environmentalists and encouraging investment funds to go ‘green,’ which will further constrain oil and gas investments.”

Novatek says new license could feed more LNG production

(S&P Global Platts; Dec. 27) - Russian independent gas producer Novatek said Dec. 27 that its subsidiary Arctic LNG 1 had won the auction for the geological survey, exploration and production rights in the Bukharinskiy license area, as the company looks to find new gas resources for its next LNG project. The license term is 27 years and the auction resulted in a one-time payment of about $38 million.

The Bukharinskiy license area, located in the Gydan Peninsula in the Yamal-Nenets Autonomous Region, is estimated to hold 42 trillion cubic feet of gas and several billion barrels of liquids and could provide the resources needed to develop a new LNG project, Novatek said.

Novatek launched its first LNG project, Yamal, at 16.5 million tonnes per year at the end of 2017, and took a final investment decision on its second, Arctic LNG-2, at almost 20 million tonnes annual capacity in September. In spring of this year, the company said it had started working toward a third project, Ob LNG, which would be built near the port of Sabetta on the Yamal Peninsula. Ob LNG would be the smallest of the Novatek-led projects, at almost 5 million tonnes annual capacity.

Nigeria signs deal with Eni, Total and Shell to expand LNG plant

(Reuters; Dec. 27) - Nigeria signed a major gas expansion deal on Dec. 27, a much-needed collaboration with oil majors that Nigeria LNG said would boost its liquefied natural gas output by more than 30 percent. The agreement marks a moment of amity with international oil majors, even as a tax dispute and a new law increasing the government’s take on deepwater oil production have irked some companies.

The final investment decision on the $10 billion Train 7 liquefaction project at the Bonny Island plant was signed by Nigeria LNG partners state-run Nigerian National Petroleum Corp., Eni, Total, and Shell. The new train is expected to boost production to 30 million tonnes per year, NLNG said, and will reverse a decline in Nigeria’s output. NLNG operates six liquefaction units on Bonny Island. The first train went online in 1999.

The western African country is rich in oil and gas but has been struggling to boost its output of both resources. Its declining LNG production last year pushed it down to the world's fifth-largest producer, with the United States taking its place at No. 4. Earlier this month, NLNG signed 20-year supply agreements with Shell, Eni, and Nigerian oil company Oando to feed the Train 7 project.

Argentina's economic woes could hinder oil and gas development

(S&P Global Platts; Dec. 26) - Argentina is suffering growing pains as it seeks to become a major oil and gas exporter, a goal thought feasible thanks to huge shale resources but which also faces big challenges. Argentina has the second largest shale gas resources in the world and the fourth in oil. It is one of only four countries to put shale into mass-scale production. Vaca Muerta has surged from zero in 2012-13 to more than 100,000 barrels per day of oil and 1.2 billion cubic feet of gas per day at the end of 2019 with still less than 10 percent of the play in full-scale development.

The growth has turned around a decline in the country's oil and gas production, taking crude to 514,000 barrels per day and gas to almost 5 bcf per day. The result: production is now enough to meet local demand and export the surplus. Mariano Gargiulo, South America vice president of Baker Hughes, an oil services company, estimates that with enough investment, Vaca Muerta's output could rise fivefold over the next five years.

But it won't be easy. Argentina fell into a financial crisis in 2018 that doubled inflation to 55 percent, pushed borrowing rates above 60 percent in pesos and 10 percent in dollars and tightened access to credit. The economy is in its third year of recession and a debt default is looming, challenges the new government must take on to attract investments. "If the economy doesn't recover and interest rates don't come down to a reasonable level" the country will not get the investment needed for intensive development of Vaca Muerta, said Daniel Montamat, a former national energy secretary.

Shale gas could extend world's reliance on fossil fuels

(Bloomberg columnist; Dec. 27) - Even big oil companies say solar and wind will be the energy of the future. But while we wait, the energy of the present is being transformed — for better and for worse — by technologies that unlock fuel from underground rocks known as shale. A tsunami of oil and natural gas from fracking has made the U.S. the world's biggest producer of both, giving the country the energy independence its leaders have sought for decades and upending the geopolitics of the world energy trade.

At the same time, fracking has generated environmental concerns and provoked a debate whether it's good or bad for the planet. While new supplies of cleaner gas are speeding the decline of coal in some places, there are fears that shale's success will extend the world's reliance on fossil fuels, key drivers of climate change. U.S. oil and gas output has surged 57% over the past decade largely due to shale-rich areas such as the Permian Basin which alone pumps more oil than most OPEC nations.

Relatively cheap shale gas has helped the U.S. cut its use of coal, the most polluting fossil fuel, by almost 40% since 2008. What's more, U.S. gas is now available on world markets, thanks to tens of billions of dollars of investments in LNG export terminals. Supporters tout gas as a "bridge fuel" that will ease the transition to renewables. But critics say that by making oil and gas more plentiful, the shale revolution has reduced incentives to invest in a switch, even as climate scientists call for speeding the change.

Countries not rushing in search of oil in Arctic waters

(OilPrice.com; Dec. 29) – It looks like 2019 will go down as one of the weakest years on record in terms of new oil additions. Conventional oil and gas discoveries have fallen to a 70-year low and unconventional failed to impress, too. Under circumstances like this, oil companies continue to focus on the low-hanging fruits — drilling in acreage adjacent to existing infrastructure or prioritize short-term low-reserve shale reserves that do not necessitate long-term commitments.

The Arctic, reported to contain around one-sixth of the world's undiscovered oil reserves, might provide the solution. But as Norway's industry celebrates the successful start-up of the Johan Sverdrup field, there several signs that foretell a troublesome future for anyone who wants to drill in Arctic waters. As deliberations rage within the U.S. on whether the Arctic National Wildlife Refuge should be open for drilling, other countries seem to move in the opposite direction.

Canada has a drilling moratorium in place until 2021 and most probably will extend it by five years, Iceland has given up after some initial advances, while external conditions compel Norway and Russia to shift their focus elsewhere. Despite the Norwegian part of the Barents Sea remaining the most active Arctic zone for drilling, new projects in the country's offshore areas will find it harder to come onstream. In Russia cost is an issue — estimated to need $100 oil to pay its way.

LNG-fueled coal carriers will serve Japanese power stations

(The Maritime Executive; Dec. 25) - Kyushu Electric Power has reached long-term transport agreements with Nippon Yusen Kabushiki Kaisha (NYK) and Mitsui O.S.K. Lines (MOL) to deploy the world's first LNG-fueled large coal carriers. The two vessels will import coal to the utility's coal-fired power plants. MOL's 770-foot-long vessel is being built by Namura Shipbuilding and is expected to enter service in June 2023.

NYK's 770-foot-long vessel is being built by Oshima Shipbuilding and is expected to enter service in April 2023. In October, NYK joined the Getting to Zero Coalition, a partnership among the Global Maritime Forum, Friends of Ocean Action and World Economic Forum that is building on the Call to Action in Support of Decarbonization signed by more than 70 leaders from across the maritime and financial industries.

New maritime low-sulfur fuel rules could boost costs for other users

(Wall Street Journal; Dec. 26) - Much of the hand-wringing about cleaner fuel has to do with trains, planes and automobiles. But possibly the most significant issue, and the most immediate one, is out at sea. A change to maritime fuel rules in January could make goods and travel of every type more expensive. The International Maritime Organization is about to reduce the limit on sulfur in fuel to 0.5 percent from 3.5 percent.

While ships are just 5 to 7 percent of global transport oil demand, according to Goldman Sachs, they emit about half of sulfur from transport because they use the dirtiest fuel from the bottom of the barrel. Refineries, as currently configured, can't simply refine out more sulfur. Besides, there isn't enough very-low-sulfur oil to go around. The new maritime fuel rules will drive the cost of cleaner alternatives including maritime diesel oil — similar to diesel used by trucks and trains — much higher.

The scramble by refineries to retool could cost in excess of $200 billion in the case of complete compliance with the rules in the first year, estimates Goldman. This could indirectly impact the price of other products such as gasoline. The moves will be a boon to refiners best able to provide the middle distillates that will be in more demand and will boost prices for oil producers pumping "sweet" low-sulfur varieties such as those in Texas, the North Sea, and Nigeria. "Sour" high-sulfur varieties, including many from the Middle East, Russia, and Canada, will in turn be disadvantaged.