Oil and Gas News Briefs
Compiled by Larry Persily
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Companies rush to lock in drilling permits before Biden takes over

(The Associated Press; Jan. 10) - In the closing months of the Trump administration, energy companies stockpiled enough drilling permits for western public lands to keep pumping oil for years and undercut President-elect Joe Biden's plans to curb new drilling because of climate change, according to public records and industry analysts. An Associated Press analysis of government data shows the permit stockpiling has centered on oil-rich federal lands in New Mexico and Wyoming. More than 60% of the applications filed the past year were in New Mexico, which includes the Permian Basin.

The federal permitting peaked in December, aided by speedier approvals. The goal for companies is to lock in drilling rights on oil and gas leases on public lands. Biden wants to end new drilling on those lands in an overhaul of how Americans get energy with the goal of making the U.S. carbon neutral by 2050. Companies submitted more than 3,000 drilling applications in a three-month period that included the election, according to federal data. Officials approved almost 1,400 drilling permits during that time. That's the highest number of approvals during Trump's four-year term, according to AP's analysis.

In Colorado, a dozen permits are approved or pending to drill in Pawnee National Grassland, a birding destination where wildflowers and cactuses bloom. In Wyoming's Thunder Basin National Grassland, a prairie expanse that abounds with wildlife and offers hiking, fishing, and hunting, oil companies have permission to drill three dozen wells among fields of sage brush. The administration issued more than 4,700 drilling permits in 2020 — comparable to totals from early last decade when oil topped $100.

U.S. shale oil producers not likely to jump at $50 crude

(Bloomberg; Jan. 6) - Don't count on U.S. shale to boom once again in response to $50 oil and Saudi Arabia's plan to throttle back its own production. What in previous years might have triggered a knee-jerk reaction by explorers to raise output and grab market share is, this time around, an opportunity for them to pay down debt or boost dividends. "Our primary priority right now is to reduce debt," Occidental CEO Vicki Hollub, who heads one of the largest production operations in the Permian Basin, said Jan. 5.

"We're pretty close to the right production profile for $50 a barrel today because what we're trying to do is just further improve our margins," Hollub said. Saudi Arabia's surprise decision Jan. 5 to curb its output by 1 million barrels a day in February and

March caused prices to surge above $50 for the first time since February, before the pandemic sent oil markets crashing and over 40 U.S. explorers went bankrupt. Helima Croft, chief commodities strategist at RBC Capital Markets, described the Saudi move as an especially sweet gift for U.S. shale drillers.

Even before the pandemic, however, Wall Street was growing weary of shale, an industry that had burned through billions of dollars while delivering few returns for investors. Producers now are more likely to use the tailwind from Saudi Arabia to pay back investors as opposed to raising output to capitalize on the rally. To boost output, "shale will need a sustained price of above $50 a barrel for West Texas Intermediate crude, or probably closer to $60," said Aaron Brady, executive director for IHS Markit.

U.S. shale executives call for restraint, even at better prices

(Bloomberg; Jan. 7) - Devon Energy's new boss said he won't let this week's oil-price rally tempt him to return to the days of rampant growth at any cost. He is the latest shale executive to call for restraint. "I have a hard time seeing the need for U.S. producers over the next several years to get back to double-digit growth," CEO Rick Muncrief said. "For this management team, if we really think about 2021, let's keep it flat."

Muncrief's comments echo those of Scott Sheffield, who heads up Pioneer Natural Resources, and Occidental Petroleum's Vicki Hollub, after Saudi Arabia's surprise plan to cut its production in the next two months sent oil prices surging. All three executives urged caution, mindful of the U.S. shale industry carnage caused by years of unchecked growth that burned through cash and left investors with little to show for their money even before the pandemic took its toll.

Devon is planning to keep output flat compared with fourth-quarter levels. Pioneer is sticking with its initial production growth target of just 5%, while Hollub said her main focus is debt reduction. "Flat is the new growth right now," Doug Suttles, CEO of Ovintiv, another driller, told an investor webcast on Jan. 7. "We need to see the global markets recover and our industry needs to show discipline and that's what we're going to do." U.S. output is currently hovering around 11 million barrels a day, about 12% of global demand last year and some 2 million barrels below its peak at the start of 2020.

No U.S. imports of Saudi crude last week for first time in 35 years

(Bloomberg; Jan. 6) - The U.S. did not import any Saudi crude last week for the first time in 35 years, a reversal from just months ago when the kingdom threatened to upend the American energy industry by unleashing a tsunami of exports into a market decimated by the pandemic. Eliminating the reliance on Middle East oil has been the dream of every U.S. administration since the presidency of Jimmy Carter in 1977.

Just 12 years ago, when Joe Biden became U.S. vice president, American refiners were routinely importing about 1 million barrels a day of crude from Saudi Arabia, the second-largest supplier to the U.S after Canada. Just three presidential terms later, that flow has fallen to zero. It is the most visual manifestation of how little America now relies on Middle East oil, after shaping its foreign policy for decades around its need for crude.

If this abstinence from Saudi oil continues, it would weaken the economic, political and military links that have defined relations between Riyadh and Washington for decades. This is the first week America had no deliveries based on available weekly data through June 2010 from the U.S. Energy Information Administration. A longer history of monthly figures shows this is the first time there were no Saudi imports since September 1985.

However, "while U.S. imports of Saudi oil hitting zero is historic," it's likely temporary "and only an aberration given the current low refinery runs and deep Saudi production cuts that are going to increase, against the backdrop of the ongoing pandemic," said Karim Fawaz, director of research and analysis for energy at IHS Markit.

Canadian oil sands back to record production in November

(Reuters; Jan. 6) - Canada's oil sands production hit a record high in November, according to regulatory data, and will likely continue to rise as producers ramp up output following the end of provincially ordered production curtailments in Alberta. The oil sands account for roughly two-thirds of crude output from Canada, which is the world's fourth-largest oil producer. Canadian producers, like their counterparts globally, endured a torrid 2020 as the COVID-19 pandemic hammered fuel demand.

Data showing an uptick in Canadian oil sands production coincides with a jump in global oil prices this week to an 11-month high, spurred on by a surprise supply cut from the world's largest exporter, Saudi Arabia. Data from the Alberta Energy Regulator released this week shows that in November oil sands production hit a record 3.16 million barrels a day. That was a month before the Alberta government lifted production curtailments that it introduced in 2019 to ease congestion on export pipelines.

Now that curtailments are over, volumes are likely to climb even further as they look to cash in on stronger oil prices. "There will be a bit of incremental growth in excess of this record," Matt Murphy, an analyst with energy research firm Tudor Pickering Holt Murphy, said Jan. 6. "Our model shows the oil sands getting to 3.3 million by the middle of 2021." The Canadian Energy Regulator forecasts oil sands production to peak at about 4.3 million in 2039, with most of the growth from expansions to existing facilities.

China expected to hit record high natural gas demand in 2021

(S&P Global Platts; Jan. 7) - China's natural gas demand is expected to set a new record in 2021 as its economy emerges from the pandemic faster than most other countries and it remains on track to meet its long-term environmental protection targets, data from S&P Global Platts Analytics and state-owned Sinopec's research arm showed Jan. 7. S&P Global Platts Analytics expects China's gas demand to reach 12.7 trillion cubic feet in 2021, up 8.4% from 2020 and up 15% from 2019.

State-owned Sinopec has a slightly more conservative outlook, and expects gas demand up 6% to 8% in 2021, data from its Institute of Economic Research showed. Strong demand from residential and industrial users will attract more domestic gas production and imports in 2021. China's domestic gas output is on track to hit a record high, estimated to grow 7.3% in 2020, and by an additional 3% in 2021 to reach 7 tcf, according to Platts Analytics LNG analyst Szehwei Yeo.

Meanwhile, Platts Analytics forecasts that China's gas imports including pipeline gas and LNG will reach 5.75 tcf in 2021, up about 18% year on year. Russian gas supply through the Power of Siberia pipeline started a little more than a year ago and will continue to ramp up in 2021, increasing China's pipeline imports further. Siberia gas imports are expected to grow 32% in 2021 from 2020, according to Platts Analytics.

Spot-market LNG price in Asia tops $20 amid cold spell

(Reuters; Jan. 7) - The Japan-Korea Marker price for liquefied natural gas assessed by S&P Global Platts has risen to a record $20.705 per million Btu, the agency said. Asian spot LNG prices are riding at six-year highs as a cold spell has prompted record imports into the region. JERA, Japan's biggest electricity generator and the world's largest buyer of LNG, as well as other Japanese power generators are competing with LNG buyers across northern Asia to secure supplies, sending prices higher.

"A major demand stimulus for the recent price increase was the cold snap across northeast Asia, which has boosted gas consumption and accelerated drastic inventory draw-down in Japan, South Korea, and China," S&P Global Platts said. On the supply-side, production issues in countries such as Malaysia have depleted availability and led to delayed or deferred LNG cargoes, as well as lower volumes under long-term deals.

In addition, constraints in the Panama Canal have meant vessels carrying LNG from Atlantic ports have experienced longer shipping times into the Pacific region. This has meant more cargoes are expected in Asia in the later weeks of February or March.

Russian LNG carriers will pass in opposite directions in the Arctic

(The Barents Observer; Norway; Jan. 6) - As the liquefied natural gas carrier Christophe de Margerie sailed eastward toward China, the Nikolay Zubov entered the Bering Strait in the opposite direction toward the Yamal LNG terminal in Russia's Arctic. In a first mid-winter operation of its kind, the two ships will cross paths in one of the heaviest ice stretches of the Arctic sea route. It has been under planning for a long time and repeatedly announced by Russia's Arctic developers.

The eastbound carrier set sail on Jan. 5, loaded with LNG from Yamal, headed to the Chinese port of Dalian. The empty Nikolay Zubov left Dalian in late December and is expected to dock in Yamal on Jan. 16. Never before have two commercial ships conducted this kind of parallel voyages on the Northern Sea Route at this time of the year. None of the ships are accompanied by icebreakers.

The operations are part of a series of trial shipments on the remote and icy shipping route. In July last year, Sergey Frank, board chairman of shipping company Sovcomflot, made clear that ice-class carriers will be sailing on the Northern Sea Route in January and February. This month sailings were coordinated with Yamal's operator, Russian gas producer Novatek, in a bid to show that the route can be used in the winter, Frank said.

Ghana ready to start LNG imports for power project

(Bloomberg; Jan. 7) - Ghana is set to open sub-Saharan Africa's first liquefied natural gas-fueled power project as it moves to position itself as a hub for the cleaner and cheaper fuel in the region. LNG-to-power projects have been booming from Asia to Latin America in recent years as they allow nations to switch from dirtier fossil fuels to keep the lights on. For LNG sellers, such integrated power projects provide a guaranteed outlet for the fuel.

Ghana's Tema LNG Terminal received its floating regasification unit from a shipyard in Jiangnan, China, on Jan. 6, paving the way for the supply of 1.7 million tonnes of LNG per year (about 82 billion cubic feet of gas) for power generation sometime this quarter, Edmund Agyeman-Duah, project manager at the company, said. The company, backed by Helios Investment Partners and Africa Infrastructure Investment Managers, began building the $350 million LNG project about two years ago. Shell will supply the gas.

For a country with 30 million people, Ghana's electricity consumption has grown alongside its economy, but it remains lower than the average per capita consumption of sub-Saharan Africa and far below that of developed countries. For comparison, a U.S. resident consumes more than 30 times as much electricity as a Ghanaian resident, according to World Bank data. The project was financed with a combination of equity and debt from a consortium of international banks, according to Agyeman-Duah, and its LNG power is expected to be 30% to 35% cheaper than heavy fuel oil, he said.

Developer continues working toward LNG terminal in Nova Scotia

(Daily Commercial News; Ontario; Jan. 8) - Calgary-based Pieridae Energy continues to work toward building a multibillion-dollar liquefied natural gas export terminal near the small community of Goldboro in Guysborough County, Nova Scotia, about 150 miles northeast of Halifax. Construction of a C$720 million workcamp and facilities at the site could begin this summer, the company says. The Goldboro LNG plant would take four years to build and be the largest project in Nova Scotia history.

The site has been cleared, and Pieridae has signed a services agreement with global engineering firm Bechtel to deliver a comprehensive engineering, procurement, construction, and commissioning plan by March 31, and then a final lump-sum, turnkey price proposal by May 31, said Mark Brown, vice president, business development at Pieridae. The government's Natural Resources Canada website has the project pegged at C$8.3 billion. Commercial operations could start in late 2025 or early 2026.

Pieridae last fall awarded a contract for construction of the camp to house about 5,000 workers. Pieridae indicated in corporate guidance for 2021 that it allocated $10 million to $15 million for development expenses in 2021 and a further $250 million to $300 million capital budget that would be triggered if a final investment decision is declared by the end of June to proceed with the project. Pieridae, which has been promoting the LNG project since 2012, has postponed an investment decision several times.

Norway plans to triple carbon tax by 2030

(Reuters; Jan. 8) - Norway plans to more than triple its national tax on carbon dioxide emissions by 2030 to help it reach its climate goals, the government said Jan. 8, drawing criticism from the country's powerful oil lobby. The cost of emissions will be raised to 2,000 Norwegian crowns ($237) per tonne by 2030 from 590 crowns for most industries at present, Environment Minister Sveinung Rotevatn said when presenting the cabinet's climate plan 2021-30.

"We must make sure that it pays to cut greenhouse gas emissions," he told a news conference. Norway, western Europe's largest oil and gas producer, aims to cut its greenhouse gas emissions by 50% to 55% by 2030 compared with 1990 levels. By mid-2021 the government will present a white paper on the long-term development of its energy industries, including oil and gas, Prime Minister Erna Solberg told a news conference. "The government will show how the oil and gas industry will cut, by 2030, its emissions by 50%," Solberg said.

“This (carbon tax increase) will be expensive, increase the cost of the Norwegian continental shelf and could weaken Norwegian competitiveness,” said Anniken Hauglie, head of the Norwegian Oil and Gas Association. However, Espen Barth Eide, energy spokesman for Norway’s main opposition Labour Party, told broadcaster NRK that the government should have set a higher target for emission cuts.

Oil and gas companies want state to reduce late-payment penalties

(Bismarck Tribune; ND; Jan. 6) - The trade group representing North Dakota’s oil industry is asking lawmakers to ease back the interest and penalties that the state can charge companies for unpaid oil and gas royalties. The request from the North Dakota Petroleum Council comes in the form of House Bill 1080, one of the first pieces of legislation to be heard after the Legislature convened this week.

The bill arrived in front of lawmakers after a legal battle over unpaid royalties and a year of controversy surrounding the Board of University and School Lands’ effort to collect money from dozens of producers. The state can charge interest and penalties on unpaid royalties at a maximum rate of 30%, Petroleum Council President Ron Ness testified before a House committee on Jan. 6, calling it “unnecessarily punitive.” The petroleum council has fought the state’s effort to collect unpaid royalties over the past year following a state Supreme Court ruling in 2019.

The board has twice delayed the repayment deadline after pushback from oil and gas companies amid the industry downturn brought on by the coronavirus pandemic. The Land Board is charging less interest and waiving penalties if companies meet an April deadline. Oil and gas companies owe hundreds of millions of dollars for deductions taken out of royalties on state-owned minerals. The deductions are for oil transportation costs, as well as gathering and removing impurities from gas to get it ready for sale.

Asian refiners surprised at Saudi Arabia’s oil production cut

(Bloomberg; Jan. 6) - Several oil refiners in Asia were taken aback by Saudi Arabia’s pledge to curb 1 million barrels a day of supplies in February even as they planned for maintenance that will trim their demand for crude. Refinery officials expressed surprise over the move ahead of the release of Saudi prices and cargo allocations for February in the coming days. The Saudi decision might have taken into account refinery closures in March and April and more virus-led stay-at-home advisories worldwide, the officials said.

“The voluntary cuts were not expected and were a surprise to the market,” said Victor Shum, vice president of energy consulting at IHS Markit. However, he explained, “the immediate future of (oil) demand looks challenging and grim because of the ongoing increases in virus cases, and maintenance season in Asia also means less demand for oil." The Saudis could be factoring in new waves of the coronavirus and lockdowns that will erode oil and fuel demand, said Mukesh Kumar Surana, chairman of Hindustan Petroleum. "They don't want prices to crash," he said.

Buyers could turn to the spot market for cargoes or short-haul supplies from Russian Far East producers if necessary, said traders. At least one Asian refiner would rely on supplies from Iraq should its Saudi flows be affected. "We have a relationship with Saudi Arabia, but we are not dependent on Saudis alone," said N. Vijayagopal, director of finance at India's Bharat Petroleum. "We also have Iraq as a predominant supplier."

Small northern Canadian community plans conversion to LNG

(The Canadian Press; Jan. 7) - A project to move Fort Simpson, Northwest Territories, from diesel power generation to liquefied natural gas, partly funded by the federal government, is closer to moving ahead. The village of about 1,200 residents is powered by four N.W.T. Power Corp. diesel generators. The proposed LNG-fueled power plant is seen by the territory as a step toward its 2030 emissions reduction target.

The Northwest Territories has pledged to cut its greenhouse gas emissions by 30% from 2005 levels before the end of the decade. The territory will try to reduce communities' emissions from diesel power by 25% in that time. Doug Prendergast, a spokesperson for N.W.T. Power, said an LNG power plant in Fort Simpson would be expected to meet that 25% reduction target. LNG emissions are significantly lower than those associated with diesel. The liquefied gas likely would be trucked to Fort Simpson.

The village granted a development permit for the project Dec. 21. Prendergast said some logistics are still to be resolved and remaining approvals must be sought before work can get underway. The small plant was estimated in 2019 at about C$15 million. There is no published timeline for completion. According to the power corporation's website, up to 15% of Fort Simpson's power currently comes from a solar array installed in 2012. The rest is diesel. The community is about 900 miles northeast of Vancouver.

Ship owners need to decide how to meet emissions standards

(Bloomberg; Jan. 8) - Ship owners facing looming deadlines to use less-polluting fuels have slashed the number of new vessels on order because they don't know which alternative technology to switch to. Ammonia, hydrogen, biofuels, and electrification are some of the many contenders to power the world's merchant fleet, but most are only in the trial stage and won't be scalable for at least a decade. With the life of a commercial ship averaging 20 years, opting for a technology that doesn't take off could be costly.

But owners are running out of time to make the choice. In 2018 the International Maritime Organization set a target to cut shipping's greenhouse gas emissions in half by 2050 from 2008 levels. The deadline prompted some ship owners to hold off on new orders until it became clearer which fuels would be the best option — a decline that has turned into a slump amid subsequent global trade disputes and the pandemic. Orders fell almost 10% in 2019 and more than 50% in 2020 to the lowest in at least 20 years.

"People aren't ordering ships because we don't know what to fuel them with," said Morten Aarup, head of market research at Danish vessel owner D/S Norden. Ship owners who fail to switch to new, cleaner vessels could find themselves at a competitive disadvantage as more customers demand environmentally friendly transport. About 12.3% of vessels on order have alternative-fuel propulsion, compared with just 0.6% of the current global fleet, according to data from Drewry Maritime Services.

Tribes protest BLM approval of 5,000 wells in Wyoming

(Wyoming Public Media; Jan. 8) - Several tribes have filed letters of protest against the recently approved Converse County Oil and Gas Project in Wyoming. The U.S. Interior Department signed off on the project at the end of 2020; it allows for the drilling of 5,000 wells over the next decade by five operators. The Oglala Sioux Tribe and the Great Plains Tribal Water Alliance, a nonprofit corporation consisting of four federally recognized Indian tribes, filed protests before and after the project's approval.

The protest letters argue the Bureau of Land Management failed to incorporate the tribes' comments and protests prior to the project's approval. "We know that federal processes, and then big oil and big companies, a lot of times that's what they want is to just ... check the boxes as quick as possible," said Doug Crow Ghost, chairman of the board for the Great Plains Tribal Water Alliance, a technical adviser for issues like water rights and water quality.

Occidental Petroleum, Chesapeake Energy, Devon Energy, EOG Resources and Northwoods Energy collectively submitted the proposal in 2014 to develop oil and gas wells on 1.5 million acres in Converse County, over the Powder River Basin. The BLM plan allows the five oil and gas companies to drill about 500 wells each year.