Oil and Gas News Briefs
Compiled by Larry Persily
March 21, 2022

Privately held U.S. producers big winners in oil market

(The Wall Street Journal; March 17) - In the spring of 2020, oil prices were crashing and Autry Stephens was in trouble. When prices stabilized a few months later, his Texas, oil company decided to take a gamble and expand drilling. His timing was perfect. With oil prices today gyrating around $100 a barrel, his company, Endeavor Energy Resources, and a few other privately held U.S. drillers, have emerged as pivotal players in the global energy market. Stephens, who turned 84 last week, may be the biggest winner.

Under financial pressure in early 2020, he now has become one of the wealthiest people in the American energy sector, with a net worth of more than $10 billion, according to people close to him and market valuations of assets controlled by his company, of which he is the sole owner. He said he has never before seen a market with surging prices yet so little competition. "This is almost too good to be true," he said.

The emergence of private companies as important oil players has been driven by big changes in the U.S. industry. Many publicly traded energy companies, as well as those controlled by private-equity firms, have been cautious about ramping up drilling. They are feeling pressure from investors who prefer dividends and share buybacks to risky and expensive drilling plans, after suffering profit disappointments during past markets.

Stephens feels few such pressures. Neither do a few other family-controlled drillers, including Mewbourne Oil Co., in Tyler, Texas, owned by 86-year-old Curtis Mewbourne. Endeavor and Mewbourne together operate 33 drilling rigs, according to investment and advisory firm Pickering Energy, up from five in 2020. By comparison, ExxonMobil and Chevron operate a combined 27 drilling rigs in the U.S., down from 33 in 2020.

By the end of this year, Endeavor and Mewbourne will together produce about 433,000 barrels of oil a day, or 4% of U.S. production, Pickering said. The companies will add 116,000 barrels a day this year, the advisory firm said. "The real winners right now are the private companies," said Dan Pickering, founder of Pickering Energy Partners. "Prices are high, and the little guys are quickly adding production to take advantage."

Surging oil prices boost wealth of private operators in U.S.

(Bloomberg; March 18) - Soaring oil prices are padding the fortunes of U.S. shale and gas tycoons, even vaulting one into the ranks of the world's 500 richest people for the first time. American oil and gas industrialists on the Bloomberg Billionaires Index now have a collective net worth of $239 billion, a jump of nearly 10% since Russia invaded Ukraine on Feb. 24. The growth is being fueled by near-record high energy prices as sanctions by the U.S. and Europe threaten to choke off Russian exports.

Crude prices have spiked as much as 32% since the invasion started, a boon to companies that make money producing, selling or transporting fossil fuels. Harold Hamm, 76, co-founder of shale giant Continental Resources, has moved up 28 places on Bloomberg's wealth index to 93rd and now controls an $18.6 billion fortune. Richard Kinder's net worth has grown to $8.5 billion due to his stake in pipeline and energy-storage firm Kinder Morgan. Rising demand for liquefied natural gas has helped Freeport LNG founder Michael S. Smith crack the 500 wealthiest list for the first time.

Even before the Ukraine war, the U.S. oil and gas industry's revenues had been growing rapidly as demand rebounded from pandemic lows. One segment of the hydrocarbon industry that's reaping more profits is private companies. It's also helped boost the fortunes of private operators. Jeffery Hildebrand, 63, the founder and sole owner of Lafayette, Louisiana-based Hilcorp Energy, is now worth more than $12 billion.

Rising energy costs hit poorer nations hardest

(Bloomberg; March 17) - The commodity price spike that's been worsened by Russia's invasion of Ukraine isn't an equal-opportunity dispenser of economic distress. The surging energy costs are causing headaches for governments around the world, but they're especially painful for poorer nations that rely heavily on imported fuels. These countries don't have the fiscal buffer enjoyed by wealthier peers, and can't count on increased revenue from their own exports.

Morocco, Thailand, Vietnam and Pakistan are some of the most-affected larger economies, based on energy import and gross domestic product data from the United Nations. Poorer families in those countries — and others — will find it tougher to buy basic goods, manufacturing sectors that support millions of jobs will be at risk, and some governments may even find themselves under threat.

"Consumers will see their spending power decline and businesses will face increasing production costs," said Matteo Lanzafame, senior economist at the Asian Development Bank. The effects of the fuel crunch are already filtering down to the real economy. Sri Lanka was forced to hike gasoline prices by more than 40% last week after its rupee plunged to record lows. Bangladesh and Pakistan are becoming increasingly desperate for spot shipments of liquefied natural gas. Pakistan is also struggling to buy enough diesel to fuel its economy as European nations outbid it to replace Russian supplies.

[India’s crude oil purchases from Russia quadruple this month]

(Financial Times; London; March 17) - Russian oil exports to India have quadrupled this month in a sign of the vast reshaping of global energy flows since Russia’s invasion of Ukraine. India, the world’s third-largest energy consuming country, has snapped up multiple cargoes of Russian oil from traders as buyers in Europe shunned the country’s vast commodities market following western sanctions on Moscow. Russia has exported 360,000 barrels a day of oil to India in March so far, nearly four times the 2021 average.

Alex Booth, head of research at Kpler, said India typically buys CPC, a blend of predominantly Kazakh and Russian crude, but the big increase in March was for Russia’s flagship Urals crude, suggesting Indian buyers considered significant price discounts against public opinion. “Already committed oil cargoes from Russia that can’t find buyers in Europe are being bought by India,” Booth said. “Exports to India surged in March before any official announcement by New Delhi.”

Historically, Russian crude oil has constituted less than 5% of India’s imports, which were 4.2 million barrels per day last year. “Indian companies weren’t sourcing much from Russia given high shipping costs,” said Vivekanand Subbaraman, research analyst at Ambit Capital. “This appears to be changing now.” Lars Barstad, CEO of Frontline, a tanker company, said the discount on Russian Urals was about $25 to $30 a barrel, whereas freight rates would only add $3 to $4 per barrel, making the trade economic.

With 85% of India’s crude needs covered by imports, higher prices act as a drag on its treasury. “I think that all three state-owned refiners will purchase oil from Russia given how import dependent and politically sensitive energy is for Indians,” Subbaraman said.

[Supply worries drive markets back up to $110 a barrel]

(CNBC; March 21) - Oil prices jumped even higher on March 21 — moving back to $110 a barrel — after Russia-Ukraine talks appeared to yield no sign of progress and markets continued to fret over tight supply, sparking a call by the International Energy Agency for “emergency measures” to reduce oil demand. Oil prices have been volatile in recent weeks, soaring to record highs in March before tumbling more than 20% last week to below $100. They jumped again in the latter half of last week to rise above $100.

In a March 21 note, Mizuho Bank said two factors were pushing prices higher: lingering Russia-Ukraine uncertainty, as well as hopes that China’s latest COVID lockdowns could be less dire than anticipated. The Russia-Ukraine war has led to worries over supply disruptions as a result of U.S. sanctions on Russian oil and gas. The U.K. and European Union also have said they would phase out Russian fossil fuels. Russia supplied 11% of global oil consumption and 17% of global gas consumption in 2021.

Adding to market strains, OPEC+ in its latest report showed some producers are still falling short of their supply quotas, with Reuters citing sources who said that the alliance is missing its production targets by more than 1 million barrels a day.

IEA issues 10-point plan to cut global oil consumption

(National Public Radio; March 18) - With gasoline prices soaring, the International Energy Agency says it's time to cut oil use dramatically. The organization has a 10-point plan to do that, suggesting a range of actions — from cutting highway speed limits to launching car-free Sundays in big cities. Global gasoline prices have surged following Russia's invasion of Ukraine last month, with U.S. gas prices setting records.

As the U.S. and its allies levy sanctions on Russia, markets have been bracing for serious disruptions to oil supplies. The IEA has released a list of proposed actions to ease strains and price pains as the peak oil consumption months of July and August are rapidly approaching. The U.S. and 30 other countries in the IEA have already moved to release 60 million barrels of oil from their reserves. "We can also take action on demand to avoid the risk of a crippling oil crunch," IEA Executive Director Fatih Birol added.

The IEA says its plan would cut oil demand by 2.7 million barrels a day within four months of implementation. With a majority of oil demand coming from transportation, the plan mostly focuses on how to use less oil getting people and goods from place to place. Some short-term measures recommended include reducing speed limits on highways, implementing car-free Sundays in cities, making public transportation cheaper and incentivizing walking and cycling. The IEA also suggests encouraging people to work from home up to three days a week where possible.

Japan asks UAE to boost oil production to help bring down prices

(Bloomberg; March 20) - Japan asked the United Arab Emirates to increase oil exports, as major importers step up pressure on OPEC to help bring down crude prices. Foreign Minister Yoshimasa Hayashi “would like the UAE to contribute to the stabilization of the global crude oil market by further supplying crude oil and securing production capacity,” the Japanese foreign ministry said in a statement. It was published after the minister met Sultan al Jaber, head of UAE state energy firm Adnoc, in Abu Dhabi on March 20.

The UAE government has yet to comment on the meeting. The U.S. and Europe have called on members of the Organization of Petroleum Exporting Countries — especially the UAE and Saudi Arabia — to raise crude output faster following a surge in prices above $100 a barrel. They’ve risen because of demand recovering from the coronavirus pandemic and, more recently, Russia’s attack on Ukraine.

OPEC has so far resisted those calls, saying in public that the run-up in prices is more due to geopolitical tension than an imbalance between supply and demand. The group is in a partnership with other producers, including Russia, that's known as OPEC+, and the Saudis and Emiratis have both said they are committed to that alliance. U.K. Prime Minister Boris Johnson visited Saudi Arabia and the UAE on March 16, but couldn't give any assurance he'd persuaded their leaders to change their mind on oil production.

Saudi Aramco uses high prices to boost capital spending

(Bloomberg; March 20) - Saudi Aramco will increase spending and issue bonus shares as oil's surge to more than $100 a barrel bolsters the company's plan to boost crude and natural gas production. The Saudi Arabian firm, like rivals such as BP and Chevron, has experienced a sharp turnaround from 2020, when the coronavirus pandemic hammered energy demand and forced it to shelve several projects.

Net income rose to $110 billion in 2021, up from $49 billion a year earlier, the state-controlled company said on March 20. Aramco will probably increase capital expenditure to between $40 billion and $50 billion this year, compared with $32 billion in 2021. Aramco, the world's biggest energy exporter, forecasts more growth in investment until the middle of the decade. That makes it stand out from many competitors that are cutting back on fossil fuels to reduce carbon emissions.

Aramco has said oil and gas consumption will remain strong for decades and that the run-up in prices underscores the need for more exploration. The company wants to raise production capacity to 13 million barrels a day from 12 million by 2027, a project that will cost billions of dollars. It is also trying to increase gas output by more than 50% by 2030. "Substantial new investment is required to meet demand growth, against a broader decline in upstream investment across the industry globally," Aramco said.

Near record number of LNG tankers lining up in U.S. Gulf Coast

(Reuters; March 16) - A near record number of liquefied natural gas tankers on March 16 continued to jam the U.S. Gulf of Mexico while loading or waiting to load, according to data from Refinitiv Eikon. LNG export terminals are running near full capacity with U.S. supply in high demand amid Russia's invasion of Ukraine and Europe's drive to rebuild shrunken natural gas stocks. There are five liquefaction and export terminals in operation on the Gulf Coast — there were none six years ago.

About 27 ships were on the way or near LNG terminals along the U.S. Gulf Coast on March 16, according to the data. The peak number of tankers was reached on Feb. 28, with 28 vessels. That matched Feb. 10 and Nov. 11 records of between 27 and 28 vessels. There were eight LNG tankers near the ports of Freeport and Galveston, Texas, on March 16, according to the data.

The number of ships waiting in the Gulf of Mexico in part reflects declining U.S. LNG shipments to Asia. The shorter distance to Europe means the vessels can cross the Atlantic and return quicker for reloading, said Edward Watson, an LNG shipbroker at Clarksons. LNG export volumes from U.S. Gulf Coast plants are expected to reach about 6.47 million tonnes this month, surpassing a record 6.3 million tonnes in January, Kpler said. Europe, which has been the top destination since December, is expected to remain the largest importer of U.S. LNG in March, according to Refinitiv and Kpler data.

LNG project developer focuses on two more Louisiana terminals

(Houston Chronicle; March 19) - Virginia-based LNG company Venture Global said it is moving quickly to get more liquefied natural gas to the market with two more pending projects in Louisiana. It said it will close project financing "soon" on Plaquemines LNG, a facility under construction outside New Orleans with a liquefaction capacity of 20 million tonnes per year. At the same time, it said in a news release that it has agreed to its first sales contract for an additional 20-million-tonne facility, CP2, it aims to build next to its existing liquefaction and export terminal at Calcasieu Pass starting next year.

The new projects are advancing as global demand for LNG soars. Demand was already high as more of the world moves from coal to cleaner-burning natural gas, which grew even more coveted after Russia — previously Europe's primary supplier of natural gas — invaded Ukraine and disrupted global energy supplies. American LNG companies jumped into the void, surpassing Russia as Europe's largest gas supplier. Still, there isn't enough supply to meet demand and existing facilities are at maximum capacity.

The developer took its Calcasieu Pass project from start of construction to first LNG cargo this month in under 2½ years. It uses smaller-capacity, modular liquefaction units that are built offsite and then installed at the project location. Venture Global began construction at Plaquemines in August, before closing financing, citing "historic market demand," and expects to bring the project online in 2024. It said it has sold 14 million tonnes of the plant's capacity and plans to announce more deals in the coming weeks.

Opponents object to another LNG export terminal on Louisiana coast

(Courthouse News Service; Louisiana; March 18) - Dozens of opponents of a proposed air permit for another liquefied natural gas export terminal along what has become a rapidly eroding and hurricane-battered edge of Louisiana spoke against the plan during a public hearing before the Louisiana Department of Environmental Quality on March

17. Representatives from Commonwealth LNG, the Houston-based company behind the proposal, did not attend the hearing, held in a police building in Cameron, Louisiana.

Retired oil and gas workers, teachers, concerned parents and lifelong Louisiana residents objected to the facility on grounds that it would make the region uninhabitable from pollution and worsening storms. “Aside from the climate-inducing catastrophe … this location is terrible,” said James Hiatt, southwest Louisiana coordinator at Louisiana Bucket Brigade, a nonprofit organization concerned with the toll of environmental pollution on communities. An investment decision on the $4 billion project could come later this year, pending the final permits, including the air permit at issue in the hearing.

The Louisiana coast has been melting into the ocean through erosion caused at least in part by the oil and gas industry for the past several decades. The present shoreline where the proposed facility would sit is eroding at a rate of 5 to 30 feet each year, according to the state's Coastal Protection and Restoration Authority. The eroding coast threatens the nearby coastal highway, which is currently the only remaining barrier between the Gulf of Mexico and a 40,000-acre marsh.

Europe will not find it easy to replace Russian gas

(Reuters; March 17) - The European Commission's plan to cut dependence on Russian gas this year will be hard to achieve and could trigger a competitive and costly dash for the fuel just as energy prices are already inflicting economic pain. The European Union's executive last week published a blueprint to cut EU dependency on Russian gas by two-thirds this year and end all Russian fossil fuel imports well before 2030.

A more detailed proposal will follow in May. The commission's initial plan said the EU could replace by the end of this year the equivalent of 3.6 trillion cubic feet of the total 5.5 tcf of Russian gas it receives every year. The bulk of the savings would come from importing more liquefied natural gas and pipeline gas from alternative suppliers. A quicker deployment of renewable energy would further dent demand.

One of the hurdles to replacing so much gas is securing enough LNG. The commission says about 1.8 tcf could come as LNG, about 10% of global supply. "Obtaining this volume will be difficult … (it) would represent a major additional draw on an already tight global market and additional demand cannot be met by significant new capacity before the mid-2020s," Jesse Scott at German-based think tank Agora Energiewende said.

The International Energy Agency says Europe could cut Russian gas imports by 1.8 tcf this year if countries switch from gas to burning more high-emitting oil and coal. "In the short term, the EU target is really unrealistic," said Joel Hancock, vice president of commodities research at investment bank Natixis. "Europe is rather looking at a slow divorce from Russia over the next 10 years."

Qatar agrees to work with Germany on LNG, but not much to spare

(Reuters; March 20) - Qatar said it has agreed to work on supplying Germany with liquefied natural gas as Europe's biggest economy seeks to reduce its dependence on Russian gas. After years of uncertainty that stymied Qatari LNG sales, German Economy Minister Robert Habeck said during talks in Doha on March 20 that his government plans to fast-track construction of two LNG import terminals in Germany, QatarEnergy said in a three-paragraph statement that lacked specifics.

The countries agreed "that their respective commercial entities would re-engage and progress discussions on long-term LNG supplies from Qatar to Germany," according to the statement. "Now it's up to companies to sign the contracts," Habeck said in a Twitter video. His trip is part of efforts by major economies to find new sources of energy after Russia's war on Ukraine threw supplies into disarray. U.K. Prime Minister Boris Johnson held talks in Saudi Arabia and the UAE last week, asking them to pump more oil.

Germany gets more than half of its gas from Russia. Its challenge is finding short-term alternatives to Russian gas — Germany doesn't have any LNG import terminals after years of debating whether they're necessary. While Qatar was the world's biggest LNG producer last year, its officials have said it can't offer much help because of long-term contracts. Only 10% to 15% of Qatari LNG can be diverted, and Europe would need to persuade Qatar's long-term buyers, most of them in Asia, to do so.

Poland may rethink switch to gas as it looks to avoid Russian supply

(Reuters; March 17) - Poland is rethinking the role of natural gas in its transition away from coal-fired energy as it seeks to avoid dependence on Russian fuels, the country's undersecretary of state for climate said on March 17. Russia's invasion of Ukraine has driven the European Union to talk of reducing its dependence on energy from Russia, which supplies 40% of the EU's gas, 27% of its oil imports and 46% of coal imports.

"If we want to do that in the short term, we're going to have to reconsider the plans we forged in the past. Looking at Poland's current legislative situation, it's pushing us very clearly toward more consumption of gas," Adam Guibourge-Czetwertynski told a meeting of EU environment ministers in Brussels. "We're looking at that again to see how we can reduce our dependence on gas during this transitional period."

Coal, the dirtiest fossil fuel, generates about 70% of Polish electricity. That would need to drop under the EU's target to cut emissions by 2030. The government had expected lower coal use to trigger a surge in Polish gas demand this decade to supply new gas-fired power plants. Any new demand would be largely met by imports. Russia provides about 55% of Polish gas imports, 66% of oil imports and 75% of its imported coal, according to think tank Forum Energii. Shrinking the role of gas could herald a bigger role for nuclear energy. Warsaw plans to have its first nuclear plant operating in 2033.

German utility association sees potential to cut half of gas imports

(Reuters; March 18) - Germany could replace about half of its natural gas imports from Russia this year in the event of a delivery stoppage, utility industry association BDEW said on March 18. The group represents 1,900 gas, power and water suppliers. "As of today, around 50% of Russian natural gas can be replaced or substituted in the short term. This corresponds to about 20% of the annual gas requirement in Germany," said BDEW managing director Kerstin Andreae.

Germany has access to electricity derived from coal, nuclear energy, wind and solar sources. Some manufacturing cannot easily switch from gas, however. Aware that any import ban, prompted by Russia's invasion of Ukraine, would have significant consequences for the German economy, the industry has sought to lessen its current dependence on fossil raw materials from Russia, Andreae said.

BDEW said it sees potential to reduce and substitute gas use by 15% in the home-heating sector, while small businesses and service industries might save 10% and heavy industry 8%, and more could be achieved in future. In power generation, the study saw possible reductions of gas burning by around 36%, but no more than that. Combined power and heating plants must continue to run to bring heat arising from the process to customers, it said.

Australian regulators give OK to Shell for Prelude LNG restart

(Western Australia Today; March 18) - Shell has received an all-clear to restart its Prelude LNG vessel off the Australian coast, three months after a fire triggered a cascade of failures that shut down numerous power and safety systems vital to the welfare of the floating liquefaction plant’s crew. Prelude’s problems began in early December when a small fire triggered an emergency shutdown that depressurized the complex plant by sending vast quantities of gas to a flare tower to be burned.

With no gas to generate power, the Prelude relied on three diesel backup units that all failed to work properly. The fire was quickly extinguished but for several days Prelude’s multitude of complex systems to keep the vessel and crew safe operated sporadically due to a lack of reliable power. Australia’s offshore regulator concluded the unreliable power produced “significantly higher than normal” risks on the Prelude, including cooling of structural steel near the vast LNG tanks that “could lead to catastrophic failure.”

The regulator said Shell did not sufficiently understand the power system on the world’s largest floating vessel and directed it to halt production until it could keep the Prelude safe if the power failed again. On March 18, the regulator removed any regulatory constraints on Shell, allowing the company to bring Prelude back to production just as the LNG market is booming as Europe scours the globe for alternatives to Russian gas. The 1,600-foot-long factory is designed to produce 3.6 million tonnes per year of LNG.