Oil and Gas News Briefs
Compiled by Larry Persily
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U.S. oil and gas production at record high, but employment is down

(Energy Wire; Aug. 8) - The U.S. is pumping out more oil and gas than any country in history. But even as production soars, oil field employment keeps shrinking. The decadelong decline isn't driven by climate policy or the rise in clean energy. Instead, it's the result of boom-and-bust cycles — and the fossil fuel industry's relentless push for efficiency. "You just need fewer workers to produce more oil," said Greg Upton, executive director of Louisiana State University's Center for Energy Studies.

"When you need less workers, that's a sign of growth. On the other hand, these are real people losing their jobs," Upton said. Oil production is up 5% since 2019, the last peak before the pandemic. The industry set a new record for crude production last week, according to data released Aug. 7 by the U.S. Energy Information Administration, pumping an average of 13.4 million barrels a day. But employment among the people who find oil and pull it out of the ground is down nearly 20% from pre-pandemic levels.

Oil and gas production still supports hundreds of thousands of jobs in the U.S., from the rig floor to office suites in Houston skyscrapers. Many of the jobs supported by oil and gas drilling are also far from the oil field — such as pipefitters who work in refineries and the workers at nearby restaurants. The Marcellus Shale Coalition trade group says in Pennsylvania the industry supports 10 times the jobs that drilling wells create directly.

Much of the goodwill that the oil and gas industry enjoys stems from its reputation for creating new jobs. It hasn't done that in years, but Sean O'Leary, a senior researcher at the Ohio River Valley Institute, said most people haven't noticed. "It's still a very powerful claim," said O'Leary, whose think tank focuses on expanding clean energy in Appalachia. "The narrative has legs of its own, quite removed from facts."

Market will struggle to take more OPEC+ oil unless demand picks up

(Reuters; Aug. 8) - Global oil demand growth needs to accelerate in the coming months or the market will struggle to absorb an increase in oil supply that OPEC+ is planning to start in October, according to data, analysts and industry sources. Oil demand growth in the first seven months of the year from top consumers the U.S. and China had failed to meet some expectations even before renewed fears of a U.S. recession triggered a global stock and bond sell-off this week.

If the economy slows further, oil demand growth will likely slow with it. That will mean OPEC+ would either have to delay its plans to pump more oil or accept lower prices for higher supply, analysts said. "In current circumstances of significant risk of recession, it is unlikely OPEC+ would move forward with the planned October (production) increases," said Gary Ross, CEO of Black Gold Investors and a veteran OPEC-watcher.

The price of oil has fallen below $80 per barrel in August – less than most members of OPEC+, or the Organization of the Petroleum Exporting Countries and allies such as Russia, need to balance their budgets. "Oil demand definitely has a downside risk," said Neil Atkinson, an independent analyst who previously worked at the International Energy Agency, citing concern about Chinese and U.S. economies. "It's very difficult to see how prices can rise significantly if demand is slower than we thought," he said, adding that he expected OPEC+ to hit pause on its output increase.

Gasoline prices could be headed lower for U.S. consumers

(Wall Street Journal; Aug. 8) - The economic angst that delivered a summer scare to global markets could hand a surprise to American consumers this fall: lower prices at the pump. Fears of a slowdown in the U.S. and China, the two biggest oil consumers, dragged benchmark Brent crude prices down about 8% over the past month. Earlier this week, when haywire moves in Japan’s stocks and currency reverberated through markets, Brent futures skidded to their lowest closing level since January.

Though Brent clawed back some losses in recent days after data showed a fall in U.S. crude stockpiles, it is at about $78 a barrel, down 14% from its 2024 closing high. The decline is particularly striking amid escalating tensions in the Middle East as Iran and Hezbollah threaten retaliatory strikes on Israel. U.S. petroleum prices have fallen too. Meanwhile, rising production from Brazil, Guyana, Norway, Canada and the U.S. will combine with a fresh wave of supply due to hit the market starting in October when members of the OPEC and its allies are set to start unwinding recent production cuts.

For drivers, there could be more relief to come, said John Kilduff, founding partner of energy-focused hedge fund Again Capital. Moves in crude markets typically take a few weeks to pass through to the pump, given the long petroleum supply chain. Kilduff said he is betting on a further decline in crude, gasoline and diesel prices, and said Saudi Arabia may rethink plans to start producing more oil this fall if U.S. crude futures fall below $70 a barrel.

U.S. refiners cut back production; could add to global oil oversupply

(Bloomberg; Aug. 11) - Some of the top U.S. refiners are throttling back operations at their facilities this quarter, adding to concerns that a global oil glut is forming. Marathon

Petroleum — owner of the largest U.S. refinery — plans to operate its 13 plants at an average of 90% of capacity this quarter, the lowest for the period since 2020. Similarly, PBF Energy announced it's preparing to process the least crude in three years, Phillips 66 will run its refineries near a two-year low and Valero Energy expects to cut its output. Those four account for about 40% of U.S. capacity to churn out gasoline and diesel.

The U.S. fuel-making complex — a key factor in global supply-demand balances — is faltering as consumption stalls and profit margins shrink. The slowdown bolsters the possibility that an oversupply of crude is looming, a threat that has limited oil prices to a 7% gain this year despite OPEC+'s production cuts and rising geopolitical tensions.

Margins to convert crude into fuels are shrinking amid mismatches in the timing of refinery closures, conversions and new capacity additions at the same time as electric vehicles and heavy trucks fueled by LNG are growing in popularity in China, the world's top oil importer. At the same time, global oil supplies are expected to rise through the end of the year, even as new refineries ramp up. The U.S. has been able to ship some its surplus oil to Nigeria's Dangote mega refinery — which has been feasting on oil from the Permian — and Mexico's Dos Bocas refinery is slated to start production this year.

Chevron achieves Gulf of Mexico deepwater breakthrough

(Reuters; Aug. 12) - Chevron has achieved a technological breakthrough, producing first oil from a U.S. Gulf of Mexico field under extreme subsea pressures, the energy company said on Aug. 12. Its $5.7 billion project, called Anchor, ushers in an era of production from deepwater areas that had long been off-limits because of the lack of equipment able to cope with pressures of up to 20,000 pounds per square inch. Chevron and partner TotalEnergies expect the development to produce for 30 years.

At its peak, the floating platform will pump up to 75,000 barrels of oil and 28 million cubic feet of natural gas a day. The field is about 140 miles off the coast of Louisiana. Another U.S. oil company, Beacon Offshore Energy, aims to replicate Chevron's 20,000-psi feat at its Shenandoah deepwater field, also off the coast of Louisiana. That project has been delayed, with first oil expected in the second quarter of 2025.

BP discovered the Gulf of Mexico's first 20,000-psi field, called Kaskida, in 2006, but the technologies of the time did not allow development. Until now, subsea technologies have largely been capped at pressures of 15,000 psi. But last month, BP greenlit development of the field, citing new developments. It plans to leverage equipment designs and achieve first Kaskida oil production in 2029. Chevron's development will have seven subsea wells tied to the Anchor floating production platform. The subsea field is estimated to hold up to 440 million barrels of recoverable oil and gas.

Iran’s oil output highest since 2018; country finds new buyers

(Reuters; Aug. 9) - Iran has sent small shipments of crude oil to new destinations such as Bangladesh and Oman, according to shipping sources and data, the latest sign of Tehran pushing to sustain output at close to its highest in five years. Oil sales are Iran’s major revenue source and the country has been looking for ways to sidestep U.S. sanctions on its crude exports that former president Donald Trump re-imposed in 2018 over Tehran’s nuclear program.

Iran, which is exempt from output quotas set by OPEC, is striving to maximize production and exports. Oil Minister Javad Owji said in July that Iran was selling crude oil to 17 countries, including some in Europe, according to the semi-official Mehr News Agency. Tehran’s oil output has topped 3.2 million barrels per day this year, the highest since 2018, according to OPEC figures, after posting one of OPEC’s biggest output increases in 2023 despite U.S. sanctions still being in place.

Iran has also begun sending cargoes to China’s northeast Dalian port, adding another new destination for its crude. Tehran’s exports to China, which does not recognize U.S. sanctions, have been flowing into the port, helping sustain the country’s oil imports at near record levels. Tanker trackers and dealers say that traders re-brand Iranian oil destined for China as originating from elsewhere, such as Malaysia, Oman or the United Arab Emirates.

Kazakhstan adds to its arbitration claims against oil majors

(Bloomberg; Aug. 9) - Kazakhstan’s arbitration claims against a group of international oil majors that developed the Kashagan field has escalated to above $160 billion after the country alleged some deals were tainted by corruption, according to people familiar with the matter. The government’s latest demand adds more than $10 billion in damages to the case, and that number may go even higher, the people said, asking not to be identified because the information isn’t public. The total has ballooned from last year.

In another development, arbitrators rejected the companies’ requests that the case be split and ruled that everything will be handled together, the people said. The firms involved in the case include Eni, Shell, ExxonMobil and TotalEnergies. The North Caspian Operating Co., the joint venture that runs the project, said the contracting companies have acted in accordance with the development agreement. It declined to elaborate. The giant field has been beset by delays, technical difficulties and cost overruns since development began more than 20 years ago.

The government raised its claims to about $150 billion in April, seeking as much as $138 billion in lost revenue from production that was promised to the government but not delivered. The dispute underscores the difficulty of operating in Central Asia’s largest oil-producing nation, where international companies face challenging geological

and environmental conditions. Companies invested about $55 billion to develop Kashagan, which produced an average of about 400,000 barrels a day last year.

Expanded Canadian oil line opens up new route to Asia

(Calgary Herald columnist; Aug. 10) - With the first three months of commercial operation now complete, the expanded Trans Mountain pipeline has proven one of the central beliefs of its backers — the overbudget C$34 billion, 715-mile project has opened up new trade routes for Canadian oil to Asia. As petroleum producers boost output in Western Canada, Trans Mountain officials and industry experts think the federally owned pipeline could fill up faster than was initially expected.

Since the Trans Mountain expansion began commercial operations in May, the operator believes roughly one-third of the shipments out of the corporation's marine terminal in Burnaby, British Columbia, have been destined for customers in Asia, mainly in China. The rest has gone south into the U.S., primarily refineries in California and Washington state. "The strategy is opening a trade route to Asia. And it appears that that has taken hold, even in the first two, three months of operation," said Jason Balasch, Trans Mountain's vice president of business development and commercial services.

"It surprises me a little bit that, this early, that much is going to Asia," said Ian Anderson, the former head of Kinder Morgan Canada and later Trans Mountain Corp., who led the project until he retired in 2022. "It proves out the thesis — that if you provide the market with the access and the flexibility, it will respond." While critics have questioned the environmental and financial merits of the project, about 80% of its capacity is locked up with long-term shipping commitments by 11 firms. The rest is available on a spot basis.

Saudi Aramco plans more investment in China's petrochemical plants

(Bloomberg; Aug. 8) - Saudi Aramco is looking to invest in more petrochemical plants in China this year and next, adding to deals it's already clinched in the country to secure long-term buyers for its crude. The world's largest crude exporting company is targeting additional facilities that can turn oil into chemicals, CEO Amin Nasser said. Aramco sees demand for goods such as plastics outlasting the growth in consumption for gasoline and diesel amid the energy transition.

"We are looking currently at a number of investments in China that will be announced in due course this year and next year," Nasser said on an earnings call Aug. 6. He also mentioned South Korea and India as potential investment destinations. Aramco is already in talks to buy a 10% stake in China's Hengli Petrochemical and is seeking similar deals with two other Chinese companies. It closed a separate $3.4 billion deal for a stake in Rongsheng Petrochemical Co. last year.

The Saudi state-run company aims to eventually turn about 4 million barrels a day of crude into chemicals, up from about 2 million currently, Nasser said. It's also looking to upgrade existing facilities in Saudi Arabia to be able to process more oil into petrochemicals, he said. Nasser pointed to China's push into energy-transition technologies like solar panels and batteries that use more plastics and other products derived from oil as factors attracting Saudi Aramco investment.

LNG Canada will start loading refrigerant into liquefaction units

(Offshore Energy; Aug. 8) - LNG Canada, a joint venture between Shell, Malaysia's Petronas, PetroChina, Korea Gas and Mitsubishi, is awaiting the arrival of the refrigerant — liquefied petroleum gas — that will be used for the cooling units that will operate at the liquefied natural gas export facility in Kitimat, British Columbia. Commissioning and start-up activities for the LNG Canada project are in full swing as developers say the facility is more than 90% complete.

Starting from the Delaware River in Pennsylvania, the Gaschem Atlantic has crossed the Panama Canal to reach British Columbia's Pacific coast with its load of refrigerants. It was set to be anchored at Prince Rupert in early August before arriving at the LNG Canada marine terminal for unloading. The refrigerants will be used to cool natural gas delivered to LNG Canada via the Coastal GasLink pipeline from northeastern British Columbia. Once the facility is up and running, the plant will produce its own refrigerants.

LNG Canada expects to start shipping LNG by mid-2025. Delivery of the initial supply of refrigerant comes on the heels of the final weld on the plant's first production train a month ago. The multibillion-dollar plant's initial capacity is planned for 14 million tonnes per year. It will be Canada's first LNG export project, with three smaller terminals under development on the British Columbia coast, all targeting the Asian market for the fuel.

B.C. LNG project developers need to amend pipeline route

(Vancouver Sun; Aug. 10) - The Nisga'a Nation and Western LNG have filed for a major route change to a C$6 billion natural gas pipeline they plan to start building in British Columbia this summer, another signal they intend to proceed with the project. The change is necessary because the pipeline's original route of TC Energy's Prince Rupert Gas Transmission Project was meant to terminate in a different location, near Prince Rupert, about 60 miles south of the new end point near Gingolx on Nisga'a lands.

The partners recently purchased the approved but not yet built pipeline project from TC Energy. The partners also jointly own the proposed C$10 billion export terminal project, called Ksi Lisims LNG, which requires the route change. The development is permitted but the partners have not yet issued a final investment decision. The push to continue

the project comes amid heightened concern from the public, environmental groups and some other First Nations about the impacts on climate change from potential increased greenhouse gas emissions from the Ksi Lisims and other LNG projects in the province.

The partners in the Ksi Lisims project, which include Canadian gas producers and a Texas-based gas exporter, say they will be able to meet the province's net-zero carbon emission policy for new LNG projects with a 60-mile power line to British Columbia's transmission grid, which could provide hydroelectric power to run the plant. It's not clear if the route change will create any delays or affect costs of the line, which was originally set at about 560 miles. Construction is set to begin this month on Nisga'a lands, which can go ahead in areas not affected by the amendment while the application is reviewed.

U.S. Gulf Coast LNG cargoes continue long route to Asia

(S&P Global; Aug. 9) - Despite the recent easing of restrictions at the Panama Canal, U.S. LNG cargoes destined for Asia continue to choose the longest route around the Cape of Good Hope in July, S&P Global Commodity Insights data showed Aug. 9. A total of 49 U.S. LNG cargoes traveled to Asia via the Cape of Good Hope in July, up from 37 in June. This marked the highest number of monthly cargoes making the journey around Africa since Commodity Insights began recording the data in 2010.

In contrast, only one Asia-bound U.S. LNG cargo crossed the Panama Canal in July, the BP-chartered Attalos, which transited the waterway en route to the Boryeong LNG terminal in South Korea for a mid-July delivery. In a record-setting year for U.S. LNG exports traversing the southern tip of Africa to reach Asia, flows have continued to break monthly records since March, leading to the route reaching an annual record in 2024 before even hitting the end of the first half of the year.

The Panama Canal Authority recently lifted some transit restrictions due to improving water levels at Gatun Lake, which could lead to more LNG carriers from U.S. Gulf Coast terminals taking the shorter route to Asia. So far this year, 25 LNG cargoes have transited the canal, 14 of which occurred in January and February. Only one transit per month was recorded between March and May.

Cheniere hopes for 2025 approval of further LNG expansion in Texas

(Upstream; Aug. 9) - Amid a period of regulatory uncertainty for U.S. liquefied natural gas exports, Cheniere Energy hopes to receive federal approvals by 2025 for an expansion project at its Corpus Christi terminal, the company said Aug. 8. Cheniere's Corpus Christi facility in Texas is undertaking a pair of expansions: a seven-train project that will add 10 million tonnes per year of production capacity, and a two-train plan to

add 3.28 million tonnes per year. The seven-train development is under construction with a 62.4% completion rate and hopes to reach first production by the end of the year.

Meanwhile, the two-train project received a positive environmental assessment from the Federal Energy Regulatory Commission in June, and Cheniere believes it will get the OK from both FERC and the U.S. Department of Energy next year, assuming the department lifts its pause on new approvals by that time. The company also filed applications earlier this year for an expansion at its Sabine Pass terminal in Louisiana.

The Biden administration in January imposed a pause on new LNG export approvals so that the Department of Energy could update its analysis of the environmental and economic impacts of the growing industry.

FERC chair says New England needs LNG imports if no new pipelines

(Natural Gas Intelligence; Aug. 8) – Federal Energy Regulatory Commission Chairman Patrick Wood said Aug. 5 that at least two of the liquefied natural gas import terminals proposed for New England and eastern Canada need to be built by end of this decade to provide the region with sufficient supplies of gas for winter heating and power generation, according to published reports.

"If two of those get built, you should be in good shape. If we don't get any of those built, we'll be in trouble," Wood was quoted saying by the Boston Globe at an energy conference sponsored by the Independent System Operator New England. He said it may be possible for the five LNG plants proposed in Nova Scotia, New Brunswick and Quebec to satisfy much of the natural gas demand for the region. That could rule out the need for construction of LNG terminals along the Massachusetts coast that have been met with considerable local opposition, the newspaper reported.

The chairman said interstate pipeline capacity remains tight in the New England area, and that no additional capacity was projected to serve the region through 2005. Yet new supplies, whether LNG or pipeline gas, are needed to meet the area’s growing power generation appetite, he said. New England's power generation capacity rose 23% this year. Gas-fired generation accounted for 13% of overall generation in the New England Power Pool in 1998 but is expected to represent 57% of total generation in 2008.

Australian buyer not likely to face rival in U.S. LNG project purchase

(Reuters; Aug. 9) - Woodside Energy, which agreed last month to buy Tellurian, the developer of a fully permitted U.S. liquefied natural gas project, for $1.2 billion including debt is unlikely to face a rival bid, people close the deal said. Taking over the troubled Driftwood project would help Woodside's ambition to become one of the world's largest

independent LNG producers, and the Australian company had no competition, despite Tellurian's eight-year-long effort to recruit investors to the troubled project. Tellurian has started preliminary construction at the site, despite lacking financing and customers.

Woodside's offer came with a bridge loan of up to $230 million that allows construction of the facility in Louisiana to proceed. A Tellurian spokesperson said the LNG developer has not yet scheduled a shareholder vote on the deal, which is not expected to close until late this year. Its board has endorsed the deal. The transaction includes the $900 million cash purchase of outstanding Tellurian common stock at $1 per share, which Woodside said was more than a 75% premium to Tellurian's last price before the deal.

Prior to Woodside, there was no serious interest in an equity stake in the Driftwood project or Tellurian, two sources said. "We could not get anyone to commit to take volumes out of Driftwood. The closest we got was the heads of agreement with Aethon Energy," one of the people said. Aethon is a gas producer that acquired Tellurian's drilling assets. Tellurian had reduced its liquefaction fees to get closer to the market average, but potential customers wanted even lower fees, the source said.

Proposed Russian LNG project encounters permit delay

(Upstream; Aug. 9) - A new Russian liquefied natural gas export project aimed at securing vital energy revenues for the government has hit a major stumbling block, with authorities delaying its first tranche of approvals. Russia's government was quick to back the Murmansk LNG project soon after it was first proposed in May 2023 by Novatek, the country's largest independent gas producer. The proposal is for an export terminal with capacity to produce and ship 20.4 million tonnes per year of LNG.

The project was considered critical to Russia's efforts to expand LNG export capacity after losing its key pipeline gas exports to Europe following the invasion of Ukraine in 2022. The delay follows Novatek's recent attempt to load a cargo in secret from its Arctic LNG 2 project to a "shadow" LNG carrier — a vessel used to try to beat international sanctions against Russian LNG exports. Western satellite and data technology spotted the vessel moored near the dock.

With a key stage in development for Murmansk LNG delayed, a Russian oil and gas analyst suggested Novatek needs more time to look for new options to circumvent sanctions. Authorities in Murmansk's Kola district and the Lenmorniiproyekt design institute in St. Petersburg published notices July 29 of public hearings for the Murmansk environmental impact assessment. But earlier this week, the notices were removed from the Kola district authority and Lenmorniiproyekt websites, with no explanation. The study is a prerequisite for Novatek and contractors before they can apply for permits.

Second LNG carrier docks at Russian Arctic export terminal

(Bloomberg; Aug. 10) - A second liquefied natural gas tanker has docked at an export terminal in northern Russia that's subject to U.S. sanctions, satellite images show. Its arrival follows the apparent export of the Arctic LNG 2 plant's first cargo earlier this month on another ship that also concealed its true location and was owned by the same India-based company. The Asya Energy is part of a suspected "dark fleet" of LNG tankers Moscow is setting up to carry gas to willing buyers, similar to a group of ships assembled to carry Russian oil.

The U.S. imposed sanctions in November to prevent the start of exports from Arctic LNG 2. While the facility began production in December, it was unable to begin shipping fuel as sanctions deterred foreign companies and stopped delivery of specialized, ice-ready carriers. Asya Energy is managed by Ocean Speedstar Solutions, according to Equasis, a global shipping database. Ocean Speedstar didn't respond to several requests for comment. Novatek, which leads the facility, hasn't commented on the arrival of any vessel, and the images do not confirm LNG is being loaded.

Western insurers continue providing coverage for Russian crude

(Reuters; Aug. 8) - A group of Western insurers have provided cover for tankers carrying Russian crude, keeping the oil flowing after many withdrew for fear of breaching the rules of a G7 price cap, data from traders and shippers shows. The data shows that five insurers, including American Club, Luxembourg-headquartered West of England and Norway's Gard, wrote coverage for 10 tankers that sailed from Russia to Asia this year.

American Club and West of England provided insurance for two vessels that took on board crude from the state-owned Russian oil company Rosneft in the Baltic and sailed to China, the data showed. American Club, Norway's Gard and West of England — all nonprofit mutuals that insure ships against oil pollution, injury and loss of life — all said they are providing a service to their members.

The extent of the ongoing trade by Western insurers in covering specific Russian oil deals has not been previously reported since the cap was imposed in 2022 following the war in Ukraine. The cap, imposed by the Group of Seven industrialized nations and their allies to curb Moscow's ability to finance the war, only allows Western insurers and ships to participate in Russian oil trade if the oil is sold below $60 a barrel.

Russia, which has banned its firms from complying with the price cap, sold its flagship Urals crude at Baltic ports for an average of $69.40 per barrel so far this year, well above the price cap, LSEG data shows. Insurers and ship owners are not expected to investigate the price of cargoes. Instead, Western enforcement agencies including the U.S. Treasury require insurance companies to request so-called attestations from the parties that buy and sell the crude that the oil changed hands below the price cap.