Oil and Gas News Briefs
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ConocoPhillips buys Marathon in $17 billion stock deal

(Wall Street Journal; May 29) - ConocoPhillips has agreed to acquire Marathon Oil in an all-stock deal valued at $17.1 billion in a bid to catch up with rivals as drillers race to secure new oil and gas wells. The deal allows ConocoPhillips to expand its presence in several key U.S. shale basins including in Texas and North Dakota. Houston-based ConocoPhillips in recent months saw ExxonMobil, Chevron, Occidental Petroleum and Diamondback Energy beef up their assets with deals totaling about $150 billion. Most of the deals were focused on the prolific Permian Basin of West Texas and New Mexico.

With Marathon Oil, ConocoPhillips is picking assets adjacent to its properties in Texas' Eagle Ford, North Dakota's Bakken and the Permian. The deal also strengthens ConocoPhillips' international presence with Marathon's offshore assets in Equatorial Guinea. When combined with Marathon, ConocoPhillips sees roughly 2,000 locations across several U.S. regions where the company can go back into older, lower-producing shale wells and frack them again. That will allow it to take advantage of new hydraulic fracturing techniques for releasing trapped hydrocarbons and boosting production.

ConocoPhillips in recent months had hoped to augment its presence in the Permian. It considered acquiring private producer Endeavor Energy Resources, which ended up selling to Diamondback for $26 billion in February, according to people familiar with the matter. The company also looked at buying private driller CrownRock, which sold itself to Occidental for nearly $11 billion in December. In recent years, ConocoPhillips also bolstered its gas assets by taking stakes in Sempra's Port Arthur LNG export terminal in Southeast Texas, as well as in QatarEnergy's sprawling North Field LNG project.

Saudi Arabia looks to the sun and wind for new energy

(The New York Times; May 29) - At a two-hour drive from Saudi Arabia's capital, rows of solar panels extend to the horizon. Despite almost limitless reserves of oil, the kingdom is embracing solar and wind power, partly in an effort to retain a leading position in the energy industry, which is vitally important to the country but fast changing. Looking out over 3.3 million panels, covering 14 square miles of desert, Faisal Al Omari, CEO of a recently completed solar project called Sudair, said he would tell his children and grandchildren about contributing to Saudi Arabia's energy transition.

Although petroleum production retains a crucial role in the Saudi economy, the kingdom is putting its chips on other forms of energy. Sudair, which can light up 185,000 homes, is the first of what could be many giant projects intended to raise output from renewable energy sources like solar and wind to around 50% by 2030. Currently, renewable energy accounts for a negligible amount of Saudi electricity generation. Analysts say achieving that hugely ambitious goal is unlikely.

“If they get 30%, I would be happy because that would be a good signal,” said Karim Elgendy, a climate analyst at the Middle East Institute, a research organization in Washington. Still, the kingdom is planning to build solar farms at a rapid pace. “The volumes you see here, you don’t see anywhere else, only in China,” said Marco Arcelli, CEO of Acwa Power, Sudair’s Saudi developer and a growing force in the international electricity and water industries. The Saudis not only have the money to expand rapidly, but are free of the long permit processes that inhibit such projects in the West.

Exxon, Chevron and Hess in a fight over Guyana oil riches

(Wall Street Journal; May 27) - Days after striking a $53 billion purchase of Hess, Chevron CEO Mike Wirth called his counterpart at ExxonMobil to discuss their future partnership in a mega-oil project Chevron would inherit through the deal. Darren Woods told Wirth he looked forward to collaboration in Guyana, where Exxon and Hess own portions of a buried treasure of 11 billion barrels of oil and gas. Chevron and Exxon have long-established partnerships in projects around the world, and they could expand their work in the South American country, Woods indicated in the October phone call.

Weeks later, Exxon called with a starkly different message for Chevron and Hess: Not so fast. Exxon contended they and China’s CNOOC, a third partner in Guyana, have a contractual right to pre-emptively match Chevron’s offer for the Hess stake in Guyana. Blindsided, Chevron and Hess disagreed. Both sides dug in, and private talks failed. Amid monthslong discussions, Exxon stunned its rivals by filing for arbitration and ending talks in March. The proceedings could sink Chevron’s largest-ever deal.

Hinging on the interpretation of several lines in a confidential contract, their dispute has burst like a thunderclap in Houston. The fortunes of all three companies are intertwined. If Exxon wins in arbitration, Chevron’s acquisition of Hess would be rendered effectively impossible. For oilman John Hess, it would mean his eponymous company would likely be much harder to sell. Drillers have rushed recently to secure their future oil reserves. Many oil fields are depleting, and further exploration could take decades to pay off. That has made Guyana’s prolific Stabroek block one of the most coveted in the world.

Oil and gas spending on Norwegian continental shelf up 15% this year

(Bloomberg; May 28) - Oil and gas companies operating on the Norwegian continental shelf will spend 247 billion kroner ($24 billion) this year, reflecting growth in investments for exploration and on existing fields. Spending on hydrocarbon extraction and pipeline projects will jump by 15% in 2024, compared with the 215 billion kroner spent a year earlier, Statistics Norway said on May 28.

There will be “high investment activity next year on the many field developments that were started at the end of 2022,” Statistics Norway said. New pipelines to connect these developments, as well as greater activity to bolster output from fields already on stream, will further drive spending, they said. There was a rush of development plans submitted toward the end of 2022, as Norwegian oil and gas companies sought to take advantage of COVID-era tax breaks. The price of crude plunged during the pandemic, sparking concerns over investment and job cuts in the industry, leading to the tax incentives.

Japanese government bank helps fund Australia gas project

(Reuters; May 30) – Woodside will receive $1 billion in funding for its flagship Scarborough liquefied natural gas project from state-owned Japan Bank for International Cooperation, the Australian energy giant said on May 30. Scarborough, a A$12 billion project in Western Australia, has recently been under the lens of Asian buyers who are looking to secure long-term supply of natural gas. The bank is a 25-year-old government-owned public financial institution and export credit agency.

Woodside in February agreed to a $1.4 billion deal to sell a 15.1% stake in the project to Japan's biggest power producer, JERA. Japan is the world's second largest LNG buyer and is currently moving to shore up more gas after the energy crisis in 2022 which forced the country's government to push firms to invest in projects.

The Japanese funding comes at a time when the industry executives of the natural gas sector in Australia have been calling for more measures to bring back an investment environment that has been damaged by a slew of state interventions in a bid to curb rising energy prices and boost domestic supply. Woodside's flagship project is set to produce as much as 8 million tonnes a year of the fuel, and has recently been a target for climate activists amid the world's shift to cleaner forms of energy.

Nuclear restart boosts share price of Japanese electric utility

(Bloomberg; May 28) - Tohoku Electric shares surged the most since 2013, leading other Japanese utilities higher, on signs its Onagawa No. 2 nuclear reactor is on track for a restart around September. The stock jumped as much as 12% in Tokyo after the company said it completed the required safety construction work for the reactor in Japan’s Miyagi prefecture. The regional utility had aimed to complete the task in June.

Shares also surged after Mizuho Financial Group boosted its rating to buy from neutral on the approaching reactor restart, and prospects for better medium-term profitability. Power demand in eastern Japan is expected to increase, which could provide growth opportunities for the company, Mizuho analysts including Norimasa Shinya wrote in a note, raising its price target on Tohoku Electric to ¥1,700 from ¥1,000. They also raised their targets for Kansai Electric and Shikoku Electric, driving their shares up at least 5%.

"Given Japan's unit production cost of nuclear energy is 19% cheaper than coal-fired energy and 27% cheaper than LNG energy, ramping up nuclear energy could improve the margin of power companies," said Kelvin Ng, an analyst at Bloomberg Intelligence.

Record volume of U.S. LNG transits Cape of Good Hope to Asia

(S&P Global; May 24) - The Cape of Good Hope remains the trade passage of choice for U.S. LNG exporters looking to reach Asia, with a record number of cargoes making the voyage this year. A total of 123 U.S. LNG cargoes have traveled to Asia via the Cape of Good Hope at the southern end of Africa so far this year, according to data from S&P Global Commodity Insights. This is the largest number of LNG cargoes to ever make the journey. The U.S. started LNG exports from the Gulf Coast in 2016.

So far in May, 29 cargoes took the longest route to reach Asia, after a record number of monthly transits was set in April at 30. Alongside the record number transiting the Cape of Good Hope, a record volume — around 8.41 million tonnes — has made the journey so far this year. Transits via the Panama and Suez canals have seen a sharp drop in 2024. So far this year, 16 U.S. LNG cargoes have reached Asia via the Panama Canal and less than half of that have transited the Suez. In comparison, the Panama Canal saw 64 cargoes make the journey between January-May 2023, while the Suez saw 33.

The Cape of Good Hope's popularity steadily grew over the prior year, beginning with a historic drought in Panama which impacted water levels at the country's canal. Lower water levels led to an increase in wait times and bottlenecks, forcing many to pivot to utilize the Suez Canal instead. However, transits via the Suez Canal halted in January, as attacks by Houthi rebels in the Bab al-Mandab Strait to commercial shipping vessels forced the maritime industry to pivot once again in favor of the Cape of Good Hope.

India's LNG imports up in May; China and Japan are down

(Reuters; May 27) - Asia's imports of liquefied natural gas are displaying contrasting dynamics in May, with strength in usually price-sensitive buyers like India, but a softer trend in the developed economies such as Japan and South Korea. The world's top-importing continent is on track to receive about 23.61 million tonnes of the fuel this month, according to data compiled by commodity analysts Kpler. This is up slightly from April's 23.23 million, although on a daily basis May's arrivals are a touch weaker.

But while the overall LNG import figures are relatively stable for Asia this month, the breakdown is somewhat at odds with recent movements in the spot price. India's May imports are estimated at 2.46 million tonnes, up from 2.03 million in April and the strongest month since October 2020. The surge in arrivals comes even as the spot price for delivery to North Asia has been rallying, rising from a near three-year low of $8.30 per million Btu in the week to Feb. 23 to a five-month high of $12.30 last week.

India’s cargoes in May would have been contracted from later February to early April, when prices were below $10. Now that the price has risen decisively above that level, it raises the possibility that Indian utilities will cut back purchases as LNG will no longer be competitive in the domestic market. In contrast to the strength in imports in South Asia, those in North Asia were softer in May. China is on track to take 5.96 million tonnes in May, down from 6.47 million in April and the lowest since February, according to Kpler. Japan is expected to import 4.83 million tonnes in May, down from 5.36 million in April.

BP and U.S. shale producer in talks to develop Trinidad gas field

(Reuters; May 27) - Oil major BP and U.S. shale producer EOG Resources are in discussions to jointly develop a natural gas field off the coast of Trinidad and Tobago, the British company said. The field holds just under 1 trillion cubic feet of natural gas and would eventually be tied back to another BP discovery, bringing the area to be developed closer to 1.5 tcf, two people with knowledge of the project told Reuters.

First gas production is expected in late 2026 and is planned to feed Trinidad's flagship liquefied natural gas project, Atlantic LNG, in which BP and Shell each have equity stakes of 45%. Trinidad and Tobago is Latin America's largest exporter of LNG and the world's second-largest exporter of methanol and ammonia. Output from Atlantic LNG represents a large part of BP's total LNG portfolio, but its operations have been hampered by declining natural gas production from aging fields.

A spokesperson for BP's Trinidad and Tobago unit said the company is "in active negotiation with EOG Resources Trinidad for the formation of a joint venture" to develop BP's Coconut field. EOG would be the operator of the project, the people said, which is similar to an arrangement it has with BP for the Mento project, which is a tie-back to EOG's Pelican platform. EOG declined to comment on the proposed joint venture.

North Sea benchmark crude floating at sea; first time in 2 years

(Bloomberg; May 28) - Three tankers carrying North Sea Forties crude have been floating off European shores for more than two weeks without discharge, a sign of weakening demand from refineries in Europe and Asia. All three ships that loaded the grade from May 1-12 are still at sea. Two vessels are anchored off Britain’s Hound Point, the loading terminal for Forties crude, while the other tanker has been sitting off Rotterdam since May 18 after spending 10 days off Hound Point.

This is the first time in more than two years that this North Sea benchmark crude is floating at sea. When oil demand is strong, tankers will normally go directly and immediately from where they collect cargoes to the refineries. The rare occurrence for Forties comes at a time when the European market is oversupplied with oil, mainly due to heavy flows from the U.S. Gulf and sluggish demand from refineries.

Asia, another main buyer of the grade, isn’t interested either, partly due to ample supply of competitive grades, such as Abu Dhabi’s Murban crude and Midland from the U.S. Forties was sold at about $1.15 a barrel below the price of the Dated Brent North Sea benchmark on May 21, the lowest in more than four years, according to traders monitoring a pricing window. The amount of crude in floating storage might grow further next month as some Forties cargoes for June loading have yet to find buyers.

Indian importer will pay for oil in Russian currency

(Reuters; May 28) - India's Reliance Industries, operator of the world's biggest refining complex, has signed a one-year deal with Russia's Rosneft to buy at least 3 million barrels of oil a month in roubles, four sources aware of the matter told Reuters. The shift to rouble payments follows Russian President Vladimir Putin's push for Moscow and its trading partners to find alternatives to the Western financial system to facilitate trade despite U.S. and European sanctions.

A term deal with Rosneft also helps privately run Reliance secure oil at discounted rates at a time when the OPEC+ group of oil producers is expected to extend voluntary supply cuts beyond June. The OPEC+ group, comprising the Organization of the Petroleum Exporting Countries and allies including Russia, is due to discuss the output cuts in an online meeting on June 2.

India, the world's third-biggest oil importer and consumer, has become the biggest buyer of seaborne Russian crude since the West halted purchases and imposed sanctions against Moscow in the aftermath of Russia's 2022 invasion of Ukraine. India has also paid for Russian crude in rupees, dirhams and Chinese yuan. "India is a strategic partner for Rosneft oil company," the Russian company said in an emailed response to questions from Reuters, adding that it does not comment on confidential agreements.

Colombia wants oil and gas companies to work their leases

(Bloomberg; May 24) - Colombia is targeting oil production of 1 million barrels per day by pressuring drillers to step up activity in underused exploration blocks, according to the nation’s top energy official. The Andean nation is also taking steps to boost natural gas production, as its projections point to a shortfall by the start of next year, Mines and Energy Minister Andrés Camacho said in an interview.

The government is seeking to juice output at “lazy contracts,” which may have been signed 10 or 15 years ago but have led to little or no exploration, he said. Through this and other measures, Camacho said Colombia can lift output to around 800,000 barrels per day by the end of 2024, up from an average of 774,000 in the first quarter. President Gustavo Petro, who has made fighting climate change a priority, refuses to sign new drilling licenses even though oil and coal account for about half of the nation’s exports.

Instead of new leases, Camacho said the administration wants to boost exploitation of previously leased blocks. “More contracts don’t necessarily mean more exploration,” he said May 23. “Our policy is to boost exploration with what’s already there.” Colombia has set up a series of requirements that have to be met in each contract. Camacho said this was agreed with companies and is now being applied, although it took effect at the end of 2023. That is helping stop the practice of some companies that had signed contracts only to sell them later at a higher price without having used them, he said.