

# Chevron wins 90-day Venezuela waiver despite opposition



Bloomberg/Houston

Chevron Corp and four oil services companies won a last-minute US government reprieve to continue producing oil in Venezuela, albeit only for a 90-day period.

The US Treasury Department supported Chevron's request to extend its sanctions waiver by six months, but the majority of other government agencies involved opposed any extension at all, a senior administration official told reporters on a call on Friday. President Donald Trump backed a compromise between the two positions, resulting in the three-month time period.

The extension allows San Ramon, California-based Chevron to essentially keep the lights on and the facility running, but another extension will be harder, the official said.

The company has operated in Venezuela for almost a century, since the discovery of the Boscan field in the 1920s. It has outlasted many other oil companies, including Exxon Mobil Corp, which left after a series of industry nationalisations during Hugo Chavez's tenure as president.

The US Treasury Department's Office of Foreign Assets Control said in a statement Friday that Chevron can continue its joint venture with state-owned Petroleos de Venezuela SA until October 25. The previous waiver was due to end yesterday.

Oilfield service companies Schlumberger Ltd, Halliburton Co, Baker Hughes and Weatherford International Plc were also allowed to continue their work in Venezuela for three months. Chevron closed 1.5% lower in New York, at \$123.72.

It's a partial victory for Chevron that leaves the Trump administration with the option of pulling the company out later this year. The impact of any eventual refusal of a Chevron waiver is rising as other production falters, giving the company a bigger and bigger size of the market in the country, the official said.

"Our advice to Chevron would be to start preparing to leave after October," Joseph McMonigle, an analyst for HedgeEye Risk Management, wrote in a note. "We are highly doubtful there will be another extension granted." While Venezuela only accounted for 1% of Chevron's global crude production last year, it remains strategically important as home to the world's largest oil reserves. As the only US major still in the country, it could be first in line for any investments under a new government.

"Our operations in Venezuela continue in compliance with all applicable laws and regulations," Chevron spokesman Ray Fohr said in an e-mailed statement.

In recent months, Chevron made the case to the Trump administration that if it were to leave, its Venezuelan assets could easily be turned over to another operator with little effect on overall production. That could mean the state, or even Russian or Chinese interests would benefit.

The ruling "does indicate Chevron has the ear of key government officials," said Muhammed Ghulam, a Houston-based analyst at Raymond James & Associates.

Venezuela has seen its oil output drop precipitously in recent years. Production is currently below 800,000 barrels a day, down from as much as 3.71mn in 1970, according to data from

the oil ministry. At least half of that oil is produced by joint ventures with foreign companies.

Chevron's joint ventures with PDVSA produce more crude in Venezuela on average than those with other companies – including China National Petroleum Corp and Russia's Rosneft Oil Co. The US producer only receives a portion of that supply, however, amounting to about 40,000 barrels a day from its Venezuelan affiliate in 2018.

The US has refused to recognise Nicolas Maduro as Venezuela's president after an election last year. Sanctions have become its main tool for depriving Maduro of cash and pressuring the military to turn against him.

Earlier this week, Venezuela's opposition-led National Assembly issued a decree that guaranteed Chevron's assets in the country would be protected under a new government led by Juan Guaido.

Oil purchases from Venezuela have become complicated since the US expanded its sanctions regime to include any business done with PDVSA, as the national oil company is also known. Other companies, including Spain's Repsol SA and Italy's Eni SpA, continue to do business with Venezuela.