

Shale drilling expands far from Permian pipeline pinch



Shale explorers added the most oil rigs in a month last week, even as pipeline bottlenecks depress prices in America's busiest basin while growth migrates to other plays. Working oil rigs rose by 7 to 867, according to data released on Friday by oilfield service provider Baker Hughes. That was the biggest increase since the weekend ended August 10.

Still, the count has mostly plateaued since late May, after a ramp-up that more than doubled the number from little more than 300 in mid-2016. A pipeline bottleneck in the Permian Basin of West Texas and New Mexico is restricting frack work there and forcing the region's exploration and production companies to sell their crude at a large discount to the West Texas Intermediate benchmark. But the crunch is encouraging drilling in other areas.

"E&Ps will start drilling again to adjust to bottlenecks," Bloomberg Intelligence analyst Mark Rossano said on September 10. "While some work picks up again, a majority will be pushed into 2019 to match new pipeline capacity." Though the number of active rigs fell in the Permian, by one to 483, two

were added in the Denver-Julesburg Niobrara play in Colorado and another was activated in the Bakken of North Dakota.