Led by Texas, North Dakota, US crude output hits record 10.96mn bpd in July

Reuters/New York

US crude oil production rose 269,000 bpd to a record 10.964mn bpd in July, led by record output from Texas and North Dakota, the US Energy Information Administration said in a monthly report on Friday.
The agency revised its June production figure slightly higher to 10.695mn bpd in June.
US crude production has surged thanks to a shale boom and now rivals top producers Russia and Saudi Arabia.
Oil production in Russia averaged 11.347mn bpd between September 1 and September 27 and was on track to reach another post-Soviet high, an energy sector source told Reuters on Friday. Saudi Arabia meanwhile, produced about 10.4mn bpd in August.
Saudi Arabia is concerned that rising US shale production over the next year could create another glut, especially if a

stronger dollar and weaker emerging market economies reduce global demand for oil.

Production in Texas inched higher to a record 4.47mn bpd and output from North Dakota also hit a peak, rising by 41,000 bpd to 1.26mn bp, EIA data showed.

Still, the rate of production growth in the Permian basin, the biggest US oilpatch which spans Texas and New Mexico, is slowing amid transportation bottlenecks as pipelines have filled.

Drilling companies cut oil rigs for a second consecutive week as new drilling stalled in the third quarter with the fewest additions in a quarter since 2017, data showed on Friday.

Total US oil demand was up 3% in July compared with last year, driven by strong demand for distillates, EIA data shows.

Distillate demand jumped 6.8%, or 251,000 bpd, in July year-on-year, while gasoline demand was up 0.7%, or 67,000 bpd, in July compared with last year, EIA data showed.

Meanwhile, natural gas production in the lower 48 US states rose to an all-time high of 92.7bn cubic feet per day (bcfd) in July, up from the prior record of 90.9 bcfd in June, according to the EIA’s 914 production report.

Output in Texas, the nation’s largest gas producer, increased to 24.6 bcfd in July, up 1.5% from June. That was the most since April 2016.

In Pennsylvania, the second biggest gas producing state, production rose to a record high 17.0 bcfd in July, up 3.0% from June.

That compares with output of 14.7 bcfd in July 2017.

America’s off shore gulf

wells pumping the most crude in decades

Shale oil can’t take all the credit for America’s rise to energy superpower, according to Bloomberg. Rigs in the green-blue waters of the US Gulf of Mexico pumped over 1.85mn bpd of crude in July, the largest volume in nearly 4 decades, according to government data. That helped push the nationwide oil supply to a record-high of 11mn barrels a day during the month

The startup of new wells and the return of some platforms from maintenance contributed to the output rise in the Gulf of Mexico, according to Danya Murali, a mathematical statistician for the EIA’s Office of Petroleum, Natural Gas, and Biofuels Analysis. “It was one platform down after another in the Gulf for the last several months,” she said in an e-mail, adding that these have all since resumed service. Offshore gulf production rose 11% in July. By contrast, output from Texas, the largest driver of shale production, rose 1% to reach a fresh record of 4.469mn bpd.

Oil on biggest tear in decade as global supply cushion vanishes

Oil posted the longest string of quarterly gains in more than a decade as impending supply disruptions threaten to fracture a global market with little margin for error.

Futures rose 1.6 percent in New York on Friday while London-traded crude racked up its fifth quarterly advance, a streak not seen since the first half of 2008. This historical echo comes as consumers once again eye supply disruptions and worry about the availability of backup supplies, just as they were a decade ago when the benchmark hit an all-time high above $147.

“The market is getting more nervous about Iranian sanctions especially on reports that Sinopec is cutting back" on purchases from the Persian Gulf nation, said Phil Flynn, senior market analyst at Price Futures Group.

Oil has risen to the highest in almost four years in London after OPEC showed little enthusiasm for raising output despite President Donald Trump's demand for lower prices. The world will need additional supplies as U.S. sanctions dissuade major importers including India and South Korea from purchasing Iranian oil. Chinese refiner Sinopec is slashing crude loadings from the nation this month, Reuters reported.

"There is concern in the market that the loss of barrels from Iran and Venezuela is not going to be made up for through extra supplies from particularly Saudi Arabia and Russia," said Gene McGillian, manager of market research at Tradition Energy. "Worries about trade relations affecting economic growth have fallen away."

Trading houses such as Trafigura Group Pte Ltd and Mercuria Energy Group Ltd have predicted prices will exceed $100 a barrel. Banks including Bank of America Corp. and JPMorgan Chase & Co. aren't quite that bullish, but are lifting their forecasts. Meanwhile, BP Plc and Total SA cautioned that such a rally would hurt demand, especially as U.S.-China trade tensions escalate.

See Also: After Three Years of Talking, Mexico May Finally Buy U.S. Crude

Brent for November delivery advanced $1 to settle at $82.72 a barrel on the ICE Futures Europe exchange in London. The November contract expires on Friday.

West Texas Intermediate for November delivery rose $1.13 to close at $73.25 on the New York Mercantile Exchange. It's trading at an $9.47 discount to Brent. Total volume traded was about 15 percent below the 100-day average.

Investors are now watching to see what Trump will do next after U.S. Energy Secretary Rick Perry ruled out the release of oil from the Strategic Petroleum Reserve, saying the move would have “a fairly minor and short-term impact.” Earlier this week, the president accused the Organization of Petroleum Exporting Countries of “ripping off the rest of the world.”

Oil leap towards $100 softens blow of Russia sanctions

Bloomberg/London

When former US President Barack Obama first imposed sanctions on Russia in 2014, a plunge in global crude prices turned the penalties into a crushing blow. This time round, oil markets are doing the opposite.
As US lawmakers mull a new round of “crippling” sanctions, some traders are predicting the price of Russia’s main export will hit $100 a barrel for the first time since 2014. The

windfall from higher oil revenue could end up mitigating the effect of even the harshest measures under discussion in Washington and investors are picking up Russian government bonds on the back of crude's gains.

"The surge in oil prices should outweigh the sanction fear," said Viktor Szabo, a portfolio manager at Aberdeen Standard Investments in London. "Russia is one of the strongest among emerging markets in terms of fundamentals."

The renewed threat of US penalties lumped Russian assets in with the worst performers amid the summer's broader emerging-markets slump, but the subsequent crude-oil rally and central bank rouble support have sparked a rebound.

In Washington meanwhile, US lawmakers continue to brandish sanctions that could see a ban on new sovereign debt sales and even shut Russian banks out of the international financial system.

Paul McNamara, a London-based fund manager at GAM UK Ltd with an overweight position in Russian rouble bonds, says he added to his holdings after the Russian central bank paused its policy of topping up reserves with hard-currency purchases to avoid exacerbating rouble weakness.

While he concedes that the tougher version of the penalties would mean "more downside" for Russian markets, "major macro issues" can be avoided with oil trading where it is. And if sanctions don't materialize in their harshest form, current oil prices "put Russia in a very strong position," he said.

The rouble trimmed its third weekly advance on Friday, the longest winning run since January. Yields on 10-year local debt have fallen 14 basis points this week to 8.55%, the lowest level since August 16.

Daleep Singh, a former Treasury official who helped pen the sanctions against Russia in 2014, admitted in a recent testimony that most of the economic contraction in the country was caused by the decline in oil, not by limiting some Russian companies' access to capital markets. "Most credible estimates" are that 10% to 40% was caused by US sanctions, Daleep said.

After skipping four local bond sales in a row, the longest stretch since the 2014 crisis, Russian officials say they have no need to rush back into the market and meet investors' demand for a yield premium.
The recent rouble weakness and elevated oil prices mean that the value of a barrel of Brent in rouble terms is close to a record, bolstering the budget and helping the government meet its local-currency spending goals.
"The higher price of oil helps because it insulates the economy from needing access to the debt markets, if that were touched in a worse-case scenario," said James Barrineau at Schroders, who has also been picking up local OFZ debt. "It will help sovereign savings to grow and thus make market access less important in the short term," as well as giving the government funds to support banks should the US curtail their market access, he said.

Oil producers in Norway's Arctic seek new options for gas export

Bloomberg/Oslo

A group of oil companies led by Equinor ASA is taking a new look at options for exporting natural gas from the isolated Barents Sea in Norway’s Arctic.

The nine companies in the group have asked Gassco AS, operator of Norway’s gas-export infrastructure, to assess options, including increasing existing capacity for liquefying gas and building a new pipeline, spokeswoman Lisbet Kallevik said by email. The study will include cost estimates for different capacity levels, she said.

Finding solutions to export gas from the Barents has engaged the industry for years. The region is considered Norway’s most prospective with potentially more than half of the nation’s undiscovered oil and gas resources, but a lack of transport infrastructure poses challenges. It isn’t connected to the rest of Norway’s pipeline network, and the only existing gas project liquefies the fuel from the giant Snohvit field, which is then exported by ships.

A 2014 study by an industry group, published by Gassco, concluded that known gas resources in the Barents Sea weren’t sufficient to justify investments in new transport infrastructure. No significant discoveries have been made since then. But oil fields like Eni SpA’s Goliat has started, Equinor’s Johan Castberg will do so by 2022 and Lundin Petroleum AB’s Alta is nearing development. These also have gas resources, but no infrastructure to export it. Besides Equinor, the other companies in the group are Total SA, Aker BP ASA, Deutsche Erdoel AG, Eni, Lundin, Neptune Energy Group Holdings Ltd, OMV AG and the Norwegian government’s wholly owned Petoro AS, Kallevik said. She was confirming an earlier report by weekly newspaper Upstream.

Equinor declined to comment on the study.

The group’s initiative comes after Equinor, the dominant company in Norway’s oil industry, said it’s exploration efforts would specifically start targeting new gas deposits. European demand for the cleaner-burning fuel has grown in the past years, and Norway’s exports, which cover about a quarter of the continent’s needs, hit a record in 2017.

SEC chairman says Tesla settlement in ‘best interests’ of shareholders

WASHINGTON (Reuters) – U.S. Securities and Exchange Commission chairman Jay Clayton said in a statement on Saturday that the agency's settlement with carmaker Tesla was in the best interests of the U.S. markets and company shareholders.

Earlier on Saturday, the agency said it had fined Musk and Tesla $20 million each and required Musk to step down as chairman to settle securities fraud charges over Aug. 7 tweets in which Musk said he was taking the company private.

"I…fully support the settlements agreed today and believe that the prompt resolution of this matter…is in the best interests of our markets and our investors, including the shareholders of Tesla," Clayton said.

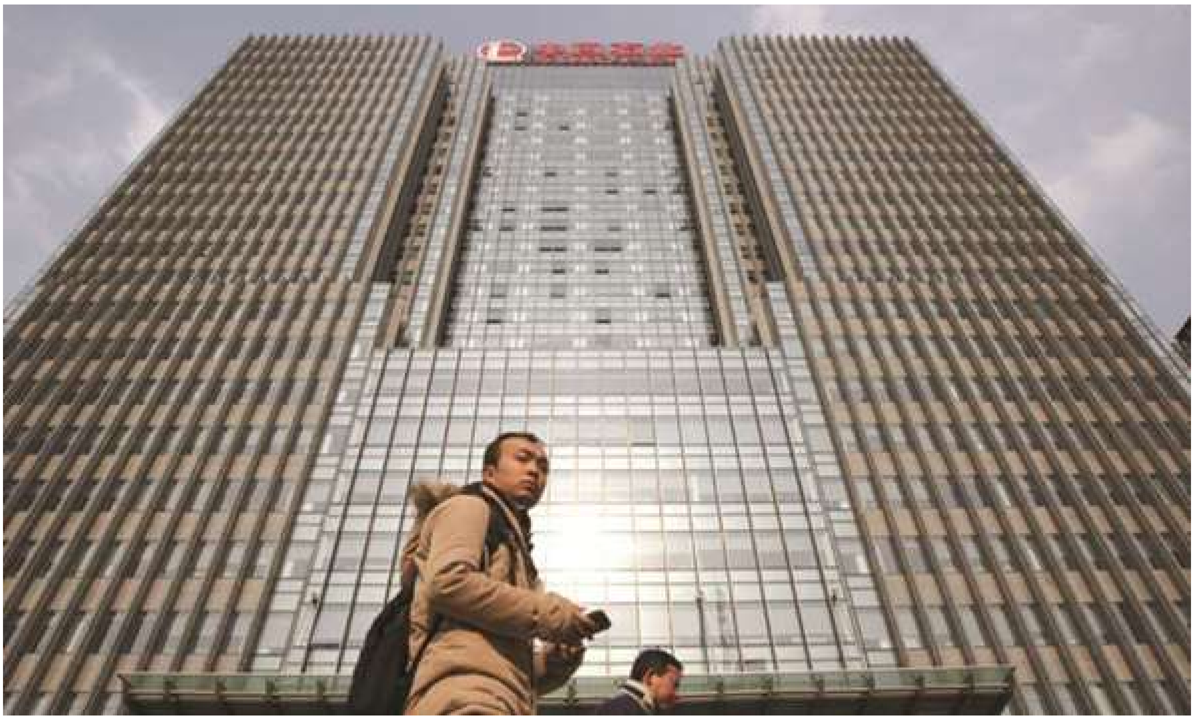
Chevron receives off er for

its Rosebank fi eld stake in North Sea

Chevron Corp has re- ceived an off er for its stake in the Rose- bank project in the North Sea, months after the company said it plans to exit some fi elds in the UK. The oil major has a 40% stake and is the operator of the Rosebank fi eld, located west of Shetlands in one of the harshest and most expensive areas of the North Sea. Chevron has strug- gled to reach a fi nal investment decision for the project since at least 2013, right before an oil- price collapse caused compa- nies to slash spending. Chevron and other big oil companies including Cono- coPhillips are reducing their in- terests in the ageing North Sea as they focus on growth regions like US shale. The UK is likely to have the fewest new wells this year since 1973, according to a trade group. The government, keen to keep production going in the region, has encouraged private equity companies to fi ll the gap left by the oil majors. “Chevron has been weighing up development options for a number of years,” Ross Cas- sidy, a senior research manager at consultant Wood Mackenzie Ltd, said in a statement.

“The asset may be struggling to compete for capital with- in Chevron’s low-breakeven tight-oil portfolio, focused on the US Permian basin.” News of the talks for Rose- bank was fi rst reported by industry trade publications, which didn’t name the poten- tial buyer. A spokeswoman for Chevron confi rmed the off er, without giving more details. The San Ramon, California- based company is still working on engineering and design for the project, she said. Chevron said in July it in- tends to dispose its assets in the central North Sea after an internal strategic review. That didn’t include Rosebank. The fi eld is the largest unde- veloped asset in the North Sea, according to Wood Mackenzie. Suncor Energy Inc holds 40% in the project and Siccar Point Energy 20%. Rosebank will probably need about $6bn to develop, accord- ing to Cassidy. If it gets the green light in 2019, oil produc- tion could start in 2024, with output rising to about 100,000 barrels of oil equivalent a day at a peak rate, he said. Development would prob- ably include a new-build, harsh environment fl oating produc- tion, storage and offl oading vessel and up to 20 production wells, Cassidy said.

Energy firms surge on Asia bourses as oil prices rise



AFP Hong Kong

Most Asian markets rose yesterday, with energy firms surging along with oil prices, as traders await the conclusion of a key Federal Reserve policy meeting.

While worries about the China-US trade row continue to erode confidence, the strong US economy and healthy corporate outlook are providing some buoyancy for now.

The weekend decision by major producers from inside and outside Opec to maintain crude output — despite Donald Trump’s call for lower prices — has sent both main contracts sharply higher this week. Trump hit out at Opec in his United Nations General Assembly speech on Tuesday, accusing it of “ripping off the rest of the world”.

Brent is sitting around four-year highs and WTI is heading close to that mark, with a stronger dollar and an expected output cut from Iran caused by US sanctions adding some lift.

“Oil prices remain in the bulls’ domain amid concern that US sanctions on Iranian crude oil exports will result in much tighter physical market conditions once they take effect in November,” said Stephen Innes, head of Asia-Pacific trading at OANDA.

The two contracts edged up yesterday after losses the previous

day that come on the back of a surprise gain in US stockpiles.
Energy firms shot sharply higher in Asia. CNOOC added 4.4% and PetroChina piled on almost 5% in Hong Kong, while Sinopec jumped 2.4%. Inpex of Japan put on 2% and Australia's Woodside Petroleum added 1.5%.
The gains boosted broader markets. Hong Kong jumped 1.2% and Shanghai ended 0.9% higher. Mainland Chinese traders were also cheered by news that global equities index compiler MSCI is considering quadrupling the weighting of Chinese large-cap shares in its benchmark Emerging Markets Index over the next two years.
Tokyo closed 0.4% stronger, Sydney rose 0.1% and Singapore put on 0.7%, with Bangkok and Jakarta also up.
But Taipei and Wellington were flat while Manila and Mumbai fell.
With the Fed widely expected to raise interest rates, governor Jerome Powell's post-meeting statement will be closely watched for clues about its next move, with an eye on the increasingly bitter China-US trade dispute. "The US domestic economy is trotting along nicely; the rest of the world is not in the same place and there's no doubt that global investor caution is continuing to increase as the trade war between the US and China appears to be heating up," Nick Twidale, chief operating officer at Rakuten Securities Australia, said in a note. "Analysts will be watching closely to see if the Fed acknowledges this and its potential impact on the US."
In Tokyo, Nikkei 225 closed up 0.4% to 24,033.79 points; Hong Kong – Hang Seng ended up 1.2% to 27,816.87 points and Shanghai – Composite closed up 0.9% to 2,806.81 points yesterday.

Pakistan and Russia to sign $10bn offshore pipeline deal

Internews Islamabad

In a major breakthrough, Pakistan and Russia are set to sign a $10bn offshore gas pipeline deal today in Moscow, a project planned by the latter to capture the energy market of Pakistan.

Sources said that the cabinet, during the tenure of previous Pakistan Muslim League-Nawaz (PML-N) government, had approved the signing of the gas pipeline deal with Moscow.

Inter State Gas Systems (ISGS) a state-owned Pakistani company established to handle gas import projects and is already working on schemes like Turkmenistan-Afghanistan-Pakistan-India (Tapi) gas pipeline has been designated by Pakistan for executing the pipeline project along with Russia's energy giant Gazprom.

A Pakistani delegation left for Moscow yesterday to sign the multibillion-dollar deal.

ISGS managing director Mobin Saulat acknowledged that the agreement would be inked in Moscow today.

He revealed that Gazprom would conduct the feasibility study on its own expenses to assess economic viability and cost of the project.

"China-Pakistan Economic Corridor (CPEC) has now entered the industrialisation phase and needs gas for duty and tax-free Special Economic Zones (SEZs)," he said. "The offshore gas pipeline will meet energy needs of industries being set up in the economic zones along CPEC route."

According to officials, the pipeline will connect Pakistan and Russia and act as an energy corridor between the two countries. "Strategically, it is a very important project as the two countries will come closer to each other," an official said.

"At the same time, Pakistan will gain access to the Russian market in order to boost its overall exports which remained stagnant during five-year tenure of the PML-N government."

Russia has nominated Public Joint Stock Company Gazprom for implementation of the project.

Pakistan's cabinet has permitted the company to conduct the feasibility study at its own cost and risk. Separately, ISGS is working on the $10bn Tapi gas pipeline which will connect South and Central Asia.

Construction work on the scheme in Pakistan is planned to start in March 2019.

These projects are termed game changer for Pakistan as they will not only lead to regional connectivity, but will also meet growing energy needs of the country. Owing to a long-running tussle with Europe and the United States over the annexation of Ukrainian region of Crimea, Russia is looking for alternative markets and wants to capitalise on the increasing energy demand in South Asia.

Russia has been a huge gas exporter to European Union (EU) countries and Turkey since long and despite US anger, Moscow has continued to provide gas to them. Moscow receives gas from Turkmenistan and then exports it to EU states. Pakistan has been experiencing gas crisis, particularly in winter, for the past many years as domestic production has declined with new

additions being offset by depleting old deposits.
In a bid to tackle the crisis, the PML-N government started liquefied natural gas (LNG) imports from Qatar under a 15-year agreement and brought supplies from other sources as well.
According to a government official, after signing of the memorandum of understanding (MoU) for the offshore pipeline, work on the feasibility study will begin. Russian gas exports touched an all-time high in 2017. According to Gazprom, gas flow to Europe and Turkey, excluding ex-Soviet states, hit a new daily record of 621.8mn cubic
metres.

Educating Lebanon’s Oil and Gas Generation

It is now a very safe bet that the seabed off Lebanon’s coast contains enormous amounts of natural gas, and sound management of this resource could power a new era of unprecedented socioeconomic development.

It’s not just scientific studies of our own Exclusive Economic Zone that tell us this: it’s also the facts that neighbors like Egypt and Israel are already producing; that areas off Cyprus, Gaza, and Syria show similar promise; and that much of the region shares the same geology.

Once Lebanon starts producing and exporting gas, the potential benefits will be game-changing: lower electricity costs, higher employment, more foreign investment, less public debt, far greater resources available for historic improvements in schools, hospitals, water and sewage networks, transport infrastructure, etc. Such achievements would make the country's entire economy more competitive, providing more opportunities for all of its citizens for generations to come.

In order to derive maximum benefit, Lebanon needs to ensure that the nascent industry has everything it needs to prosper. Some of this work is quite advanced, with the Ministry of Energy and Water and the Lebanese Petroleum Administration (LPA), for example, having already prepared legal and regulatory frameworks that encourage rapid and sensible development.

To get the most out of this process, though, we as a country need to ensure that we as a people are both the driving force behind its progress and the primary beneficiaries of its consequences. The only way to do this is to ensure that all Lebanese have access to the skills and training required to take on jobs at every level of the process.

Lebanon can count on its highly acclaimed higher education sector to churn out the necessary architecture, chemistry, finance, management, and various engineering professionals. There also will be extensive requirements for qualified tradesmen and other technicians to build, operate and maintain both on- and offshore facilities. This means qualified pipefitters, electricians, welders, and other skilled workers – and only suitably equipped and oriented vocational institutions can provide the necessary training.

These kinds of jobs entail not just the provisions of excellent pay and benefits, but also the acquisition of valuable skills and experience that are easily transferable to other regions and other industries. In short, they are the building blocks for long and productive careers for today's youth, whose spending will in turn contribute to sustainable long-term economic growth.

Already the LPA is working with oil and gas companies to chart clearly defined pathways from education to employment, and policymakers are similarly engaged in addressing capacity issues and how to help universities and vocational schools to gain global accreditation. These should remain top priorities, and we should also examine the experiences of others. Cyprus, for instance, has made significant strides in making sure that it will have enough qualified nationals to fill key jobs across its own budding gas sector; partnering with Cypriot institutions – and/or others in Europe or elsewhere – could radically increase the effectiveness of Lebanon's strategy.

We are very close to realizing historic gains for all Lebanese society, and we owe it to future generations to get this done right. Education will be the key to strong livelihoods for thousands of our people, and we already have a very robust foundation of educational excellence. Whatever other challenges Lebanon faces, this one allows us to be masters of our own destiny, and we would be foolish indeed to let this opportunity be diluted in any way.

Roudi Baroudi has worked in the oil and gas industry for more than three decades and currently serves as CEO of Energy and Environment Holding, an independent consultancy based in Doha.