NGI's Shale Daily™
Intelligence Press, Inc.
Covid-19 Uncertainty Still Weighing on Oil Prices, Says World Bank 2
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PIPELINES

TC Energy, Alberta Government Pull Plug On Keystone XL Oil Pipeline

TC Energy Corp. and the Alberta government late Wednesday announced formal and final termination of the suspended Keystone XL oil export pipeline, but they reserved the right to seek compensation for rejection of the project in the United States.

"An orderly exit" would honor remaining environmental and regulatory commitments, said the Calgary pipeline company and Alberta officials. "The two parties will continue to explore all options to recoup the government's investment in the project."

As project leader, TC Energy recorded a C$2.2 billion ($1.8 billion) loss after President Biden kept a 2020 election promise to scrap a permit granted by former President Trump that had allowed Keystone to begin construction.

The formal termination transfers about half the loss to the Alberta government. Officials had not disclosed how much its loss would be as of Wednesday but predicted it would be within C$1.3 billion ($1.04 billion).

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INFRASTRUCTURE

ExxonMobil Looks to Add Jobs, Cut Emissions at Louisiana Refinery Complex in Baton Rouge

ExxonMobil on Wednesday sanctioned a $240 million-plus investment to improve its Baton Rouge, LA, refinery operations, which include installing technology to reduce emissions.

Project construction is expected to begin later this year at the refinery, which has crude capacity of about 517,000 b/d.

The new suite of projects are geared toward improving processing capability, flexibility for meeting market demand and advancing overall site competitiveness. Technology also would be upgraded to reduce volatile organic compound emissions.

"Through this investment, we will reduce the facility's volatile organic compound emissions up to 10%, while bringing direct value to the community through increased tax revenue and job opportunities for local residents and small and diverse businesses," said ExxonMobil's David Oldreive, Baton Rouge refinery manager.

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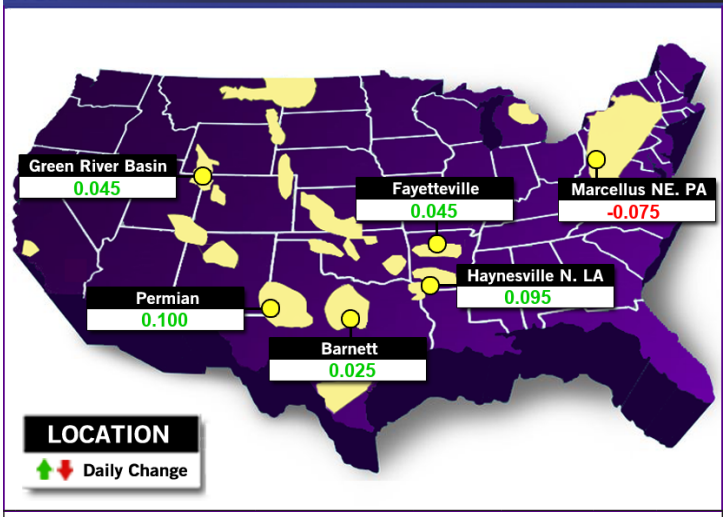
NGI | SHALE NATGAS SPOT PRICE TRACKER



Trade Date: Jun 10; Flow Date(s): Jun 11

Basin/Region	Range	Avg	Chg	Vol	Deals
Gulf Coast					
Barnett	2.900-3.000	2.970	0.025	137	32
Eagle Ford	3.070-3.170	3.140	0.110	149	31
Haynesville - E. TX	2.930-3.020	2.990	0.040	1,073	130
Haynesville - N. LA	2.960-3.000	2.995	0.095	49	22
Permian[1]	2.700-2.910	2.870	0.100	722	142
Tuscaloosa Marine Shale	3.110-3.150	3.125	0.000	333	43
Midcontinent					
Arkoma - Woodford	2.970-3.000	2.985	0.135	64	10
Cana - Woodford	2.875-3.020	2.990	0.070	46	11
Fayetteville	2.970-2.990	2.975	0.045	31	8
Granite Wash*	2.905-2.945	2.925	0.045	485	70
Northeast					
Marcellus - NE PA[2]	1.790-1.965	1.880	-0.075	286	70
Marcellus - NE PA: Other[3]	1.800-1.965	1.905	-0.065	203	48
Marcellus - NE PA: Tenn[4]	1.790-1.850	1.825	-0.110	83	22
Marcellus - SW PA/WV	1.850-2.720	2.095	-0.110	1,516	273
Utica[5]	1.980-2.700	2.225	-0.020	335	71
Rocky Mountains / West					
Bakken	--	--	--	--	--
Green River Basin*	2.860-2.950	2.895	0.045	615	124
Niobrara-DJ[6]	2.820-2.920	2.885	0.035	466	77
Piceance Basin*	2.850-2.925	2.870	0.035	239	40
Uinta Basin*	2.850-2.890	2.865	0.040	73	12
San Juan Basin*	2.750-2.990	2.905	0.075	345	75

Notes: *Table represents fixed-price delivered-to pipeline transactions in USD/MMBtu. These data are comprised of deals that NGI believe represent trading activity in the respective resource plays and may contain gas that was produced from conventional formations. * Denotes a tight sands formation. Volumes may not total due to rounding. For more information, please see NGI's Shale Price Methodology.*

ANALYSIS

Texas and California Oil, Gas Permitting Turns South in May

The U.S. drilling permit count reversed by 23% in May month/month and was down 3% from a year ago, Evercore ISI said in its latest summary of nationwide data.

The energy analyst firm each month compiles oil and gas permitting figures using state and federal data.

April permitting had bounced up by double digits from March, but permitting fell into the "pre-summer blues" last month, according to the analyst team led by James West.

"Every single basin" saw permits decline in May from April with the exception of the Mississippian Lime, up 18% (21 permits), and Woodford formation, which jumped 36% (nine permits).

Notable reductions included the Permian Basin, down 20% or by 201 permits from April. Denver-Julesburg Basin

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OUTLOOK

Covid-19 Uncertainty Still Weighing on Oil Prices, Says World Bank

Continued uncertainty around the Covid-19 pandemic has kept a lid on rallying oil prices, according to the World Bank.

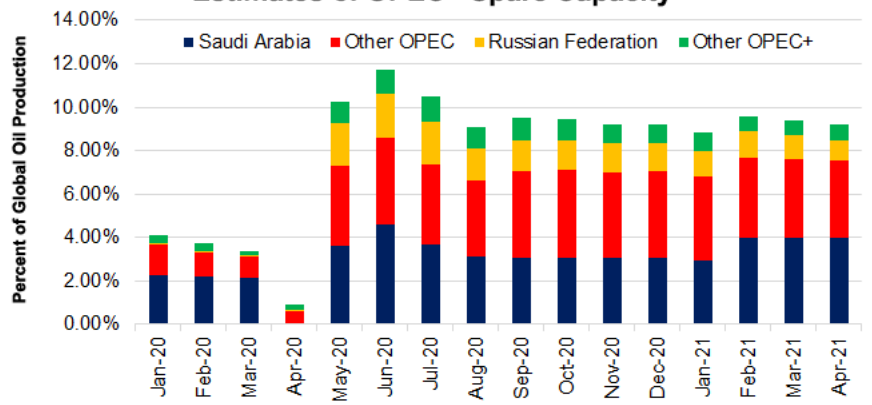
Though prices have been supported by continued production restraint by the Organization of the Petroleum Exporting Countries and their allies, aka OPEC-plus,"the pickup in oil prices has been partly dampened by uncertainty regarding the evolution of the pandemic and its potential impact on future oil demand," the World Bank said in *Global Economic Prospects*.

Prices have been on the rise on increased demand as vaccine programs are rolled out and economies recover. Brent and West Texas Intermediate have both recently risen to more than $70/bbl.

[Need Shale prices? Check out NGI's Shale Daily natural gas prices at 21 locations spanning 16 plays, including the Marcellus, Permian and Bakken, and everywhere in between.]

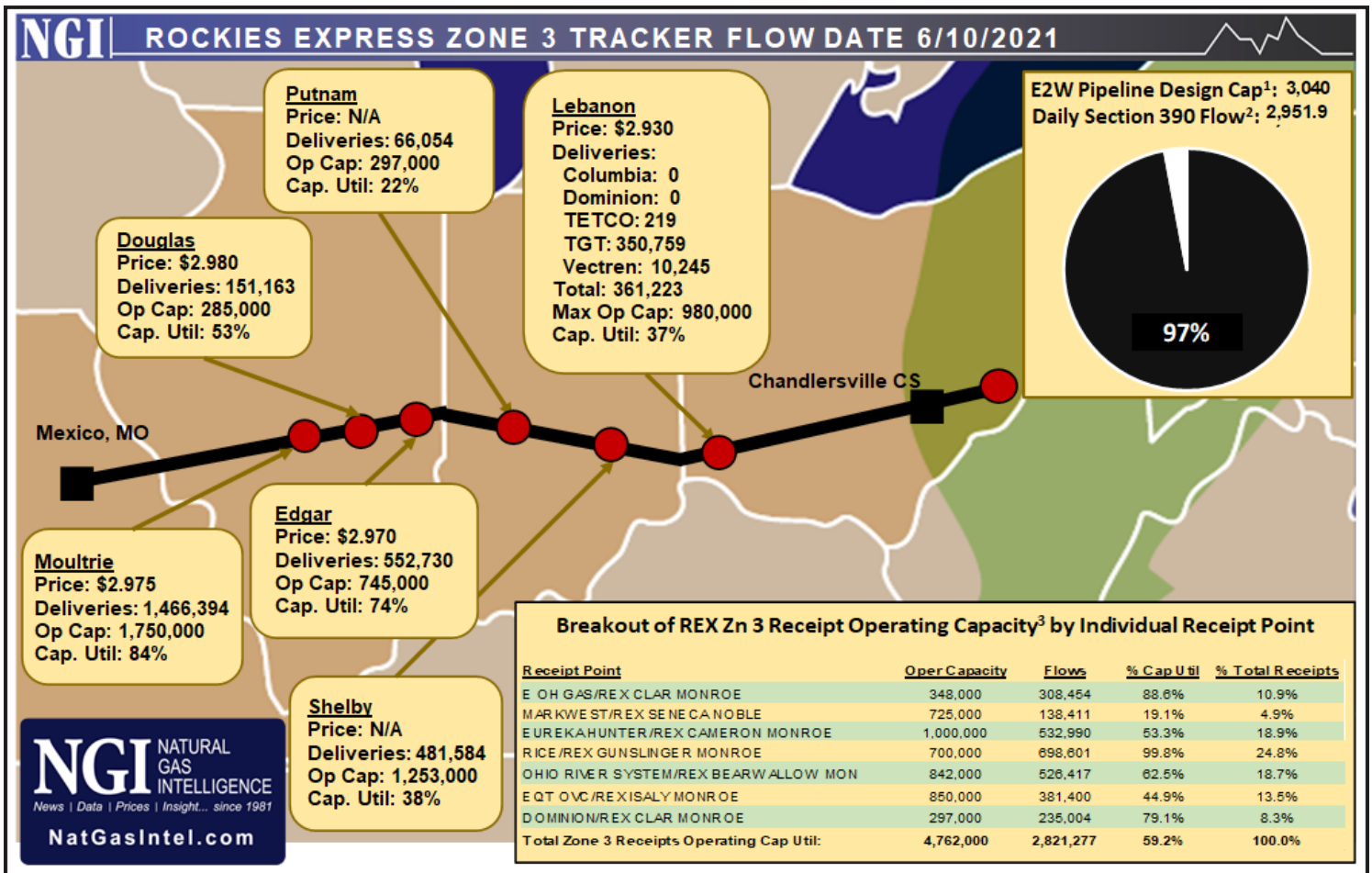
World Bank researchers expect oil prices to average $62/bbl in 2021 and 2022, based mainly on expected subdued jet fuel consumption. Meanwhile, the U.S. Energy Information Administration recently noted Brent crude averaged $68/bbl in May, a 25% increase over January, and it now expects the benchmark to average around $60 for the year.

The World Bank said a key risk to its forecast is the speed at which OPEC-plus may raise production, noting the cartel currently



Note: Spare production capacity estimated as the difference between a country's current production and their maximum level of output since 2018, shown as a percent of global supply in 2019. "Other OPEC" includes all current OPEC countries except the Islamic Republic of Iran, Libya, Saudi Arabia, and República Bolivariana de Venezuela, which are exempt from production cuts. Other OPEC+ includes Azerbaijan, Bahrain, Brunei Darussalam, Kazakhstan, Malaysia, Oman, South Sudan, and Sudan.

Source: IEA, World Bank



Breakout of REX Zn 3 Receipt Operating Capacity[3] by Individual Receipt Point

Receipt Point	Oper Capacity	Flows	% Cap Util	% Total Receipts
E OH GAS/REX CLAR MONROE	348,000	308,454	88.6%	10.9%
MARKWEST/REX SENECA NOBLE	725,000	138,411	19.1%	4.9%
EUREKAHUNTER/REX CAMERON MONROE	1,000,000	532,990	53.3%	18.9%
RICE/REX GUNSLINGER MONROE	700,000	698,601	99.8%	24.8%
OHIO RIVER SYSTEM/REX BEARWALLOW MON	842,000	526,417	62.5%	18.7%
EQT OVC/REX ISALY MONROE	850,000	381,400	44.9%	13.5%
DOMINION/REX CLAR MONROE	297,000	235,004	79.1%	8.3%
Total Zone 3 Receipts Operating Cap Util:	**4,762,000**	**2,821,277**	**59.2%**	**100.0%**

Source: Tallgrass Energy LP, NGI calculations. For more info and daily 10am ET updates of this chart, go to natgasintel.com/rextracker

has spare capacity of up to 9 million b/d, equivalent to 9% of global consumption in 2019.

Increased drilling by Lower 48 oil and gas producers could also provide a risk to the price forecast, the World Bank noted.

"In the longer term, the outlook for oil and other energy commodities will be dependent on the pace of transition toward renewable energy sources," researchers said.

The 198-page report outlines the potential for a global economic recovery from the pandemic in the coming months. It projected the global economy would expand 5.6% this year, the strongest post-recession pace in 80 years.

However, the World Bank also said the recovery appears to be "uneven." Major economies, led by the United States, are expected to rebound while emerging market and developing economies (EMDE) still grapple to control the pandemic.

"Elevated Covid-19 caseloads, obstacles to vaccination, and a partial withdrawal of macroeconomic support are offsetting some of the benefits of strengthening external demand and elevated commodity prices" in some EMDEs, according to the research.

While oil exporting, low income countries such as Chad and South Sudan are set to benefit from stronger oil prices, those higher prices could also prompt a rise in global oil supply from the United States or OPEC-plus nations should their production agreement fail. That could lead to weaker prices and revenue shortfalls in low-income countries, according to the report.

"Lower-than-assumed oil prices would, however, benefit net oil importers," researchers said.

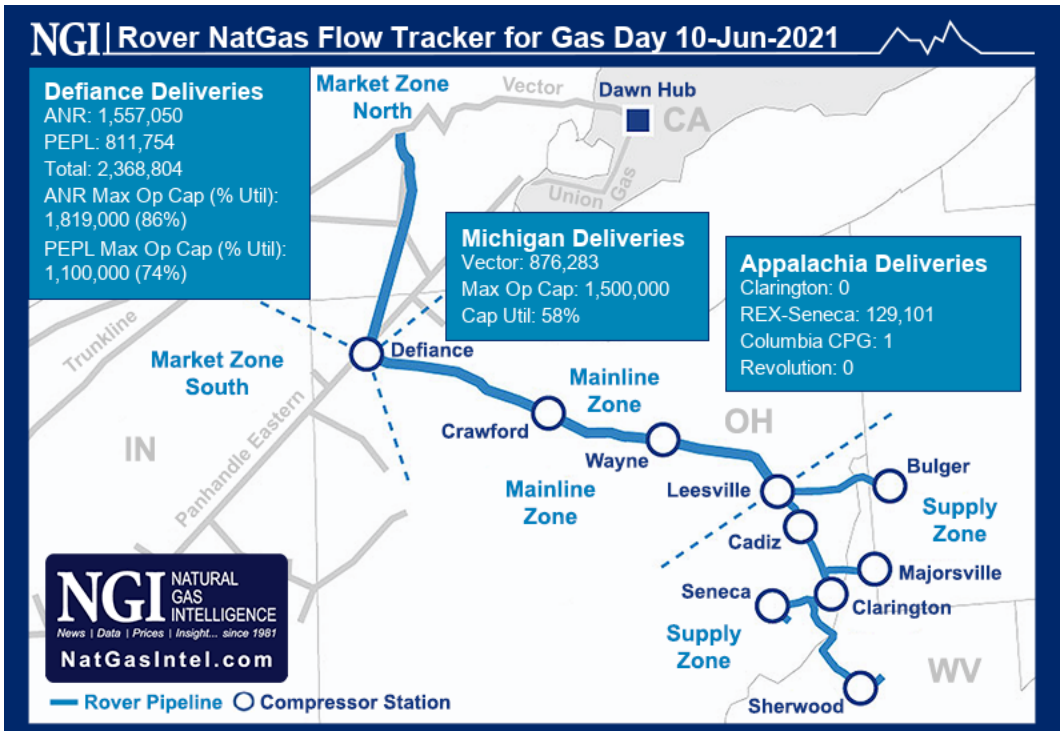
The organization also noted that the rise in oil prices and faster-than-expected recoveries were supporting greater economic activity in oil exporting countries in the Middle East. For example, Iran avoided an expected contraction in fiscal year 2020-2021, which ended in March, while a contraction in Saudi Arabia's oil industry was offset by a boost in activity outside of oil production. Meanwhile, activity increased in Qatar and the United Arab Emirates earlier this year amid a successful vaccination campaign.

"Rising oil prices, and a recovery in demand, are expected to return current account balances to surplus and increase inflation in many oil exporters," according to World Bank's researchers.

Overall, global output by 2022 is forecast to be about 2% below pre-pandemic projections, and "per capita income losses incurred last year will not be fully unwound in about two-thirds of EMDEs."

The report suggested a "more equitable" vaccine rollout would be needed to control the pandemic at a global level, especially in low-income countries.

"The legacies of the pandemic exacerbate the challenges facing



Rover Receipt Points	Op Cap	Receipt Vol	% Util
BERNE	350,000	294,477	84%
CADIZ-MW	300,000	94,538	32%
CADIZ-ORS	1,070,000	605,342	57%
CLARINGTON-EUREKA	350,000	276,851	79%
CLARINGTON-OVC	300,000	208,598	70%
CRAWFORD-UGS	350,000	55,537	16%
HARMON CREEK	400,000	187,000	47%
MADISON	400,000	59,100	15%
MAJORSVILLE	400,000	390,993	98%
REVOLUTION	525,000	61,940	12%
SENECA	800,000	50,979	6%
SHERWOOD	840,000	748,439	89%
SUNDANCE	406,000	275,377	68%
	System Cap*	TSQ	% Util
Total Rover Receipts	3,250,000	3,253,634	100%
Total Rover Deliveries	3,250,000	3,374,189	104%

*Represents stated full system capacity. All units in dekatherms.

Source: Rover EBB, NGI calculations & estimates

policy makers as they balance the need to support the recovery while safeguarding price stability and fiscal sustainability," said researchers. "As the recovery becomes more entrenched, policy makers also need to continue efforts toward promoting growth-enhancing reforms and steering their economies onto a green, resilient and inclusive development path." ■

TC Energy, Alberta Government Pull Plug on Keystone XL Oil Pipeline

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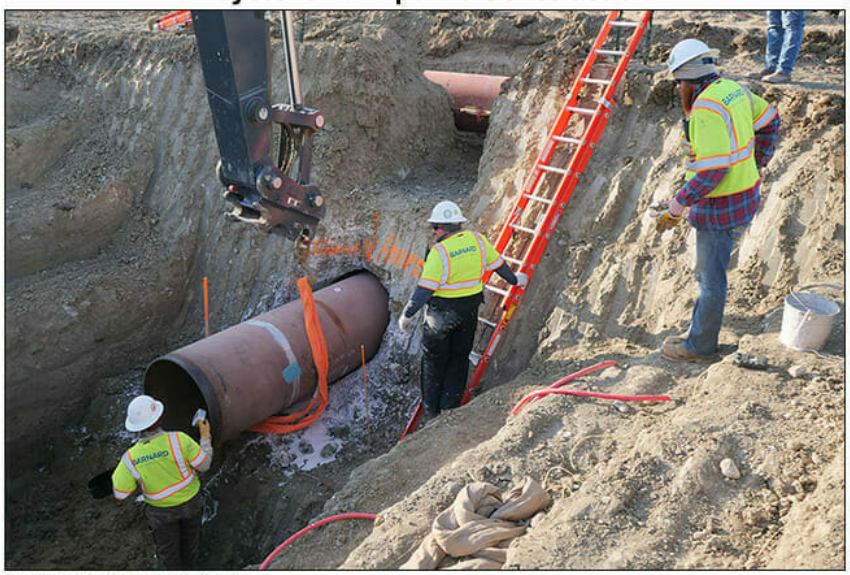
[Summer Snapshot: Tune in to NGI's Hub & Flow podcast as Price & Markets Editor Leticia Gonzales breaks down the fundamentals driving natural gas prices in the coming months.]

"We remain disappointed and frustrated," said Alberta Premier Jason Kenney. By the time Biden acted, up to 1,600 workers had installed nearly 150 kilometers (90 miles) of Keystone pipe in Canada. TC Energy also had started building pump stations in the Lower 48.

"The pipeline's completion would have led to higher prices as well as increased volumes of oilsands crude production, generating at least C$30 billion [$24 billion] in increased royalties over 20 years for Alberta taxpayers," Alberta government officials noted.

From a financial point of view, canceling Keystone cleared away a cloud that had darkened TC Energy's outlook for nearly a decade because of regulatory and political conflict.

Keystone XL Pipeline Construction



Source: TC Energy Corp.

"We had viewed the planned construction of the pipeline as credit negative for TC Energy because of the very high level of execution risk related to environmental, social and governance factors that the project entailed," said Moody's Investors Service analyst Gavin MacFarlane.

"Keystone XL has been a symbol for the challenges the sector has faced in getting high profile projects permitted and built not just in Western Canada but across North America."

TC Energy President Francois Poirier predicted Canadian and U.S. services by the pipeline and power conglomerate would continue to expand regardless of the Keystone loss.

"The company continues to progress C$20 billion [$16 billion] of secured growth projects, C$7 billion [$5.6 billion] of projects under development, and numerous additional initiatives aligned with its risk preferences and return criteria," said Poirier.

"Looking forward, there is tremendous opportunity for TC Energy in the energy transition with its irreplaceable asset footprint, financial strength and organizational capabilities positioning it to capture further significant and compelling growth."

The U.S. Chamber of Commerce said it understood TC Energy's decision to cancel the project.

The Keystone termination "is understandable, but necessary only because of the policy errors of the administration," said the Chamber's Marty Durbin, president of the Global Energy Institute. "This episode is also a black mark for our relationship with our close ally to the north, Canada, and will have repercussions for our ability to attract private investment for years to come," said Durbin.

Shortly after the news hit Wednesday evening, the American Petroleum Institute (API) expressed disappointment. "It's unfortunate that political obstructionism led to the termination of #KeystoneXL," the API tweeted. "This is a blow to U.S. energy security and a blow to the thousands of good-paying union jobs this project would have supported."

Opponents declared victory, with some considering it a historic turning point for environmental justice. "The cancellation of Keystone XL is a reminder that this project was never needed and never in the public interest, and that it is time for the fossil fuel era to rapidly come to a close," said Oil Change International communications director David Turnbull. ■

ExxonMobil Looks to Add Jobs, Cut Emissions at Louisiana Refinery Complex in Baton Rouge

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"ExxonMobil has made significant progress to reduce emissions globally and plans further reductions in greenhouse gas emissions by 2025."

The petrochemical and refining facility initially was opened in 1909 by predecessor Standard Oil Co. It has since become a world-scale, integrated complex that manufactures nearly 300 products and grades of products, including motor gasoline, diesel, aviation gasoline, lubricating oils, waxes and petroleum coke.

The Baton Rouge refinery has, for more than a century, "fueled the economy of our state and nation," Gov. John Bel Edwards said. "These latest capital upgrades will continue to position the integrated ExxonMobil refinery and chemical complex here in Baton Rouge as one of the world's most innovative and competitive energy sites."

According to ExxonMobil, the refinery in 2019 had an estimated

$235 million payroll. It also paid $23 million in property taxes, and purchases were estimated at about $494 million.

The new projects could help to retain 1,300 existing jobs, the supermajor noted. ExxonMobil also estimated that the work could create as many as 600-plus construction jobs on site over three years.

In addition, the investment is likely to provide at least 20 full-time job opportunities for graduates of the North Baton Rouge Industrial Training Initiative, a collaborative program spearheaded by ExxonMobil in 2012 to provide no-cost, fast-tracked industrial craft training for community residents.

In addition to supporting the Training Initiative, ExxonMobil said it plans to provide "supplier opportunities specifically to North Baton Rouge businesses."

Direct, indirect and induced jobs resulting from project construction are forecast to total 2,030 in Baton Rouge by 2023. The data compiled by the Kathleen Babineaux Blanco Public Policy Center at the University of Louisiana at Lafayette also said direct property tax revenue is projected to reach $43 million over the life of the project.

Louisiana Economic Development provided ExxonMobil with its workforce training program. The company also plans to use the state's Industrial Tax Exemption Program.

Source: ExxonMobil

"ExxonMobil is an economic driver in East Baton Rouge, supporting thousands of residents with quality jobs, strategically partnering with local companies for procurement needs, and injecting millions of dollars into public services," Mayor-President Sharon Weston Broome said. The investment should "bolster employment, contribute to our tax base and reinvigorate local businesses." ■

Texas and California Oil, Gas Permitting Turns South in May

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permitting fell by 49%, or 57 fewer permits. Marcellus Shale permitting was down 31%, or by 48 permits. Eagle Ford Shale permitting also declined, down 16% or by 34 permits from April.

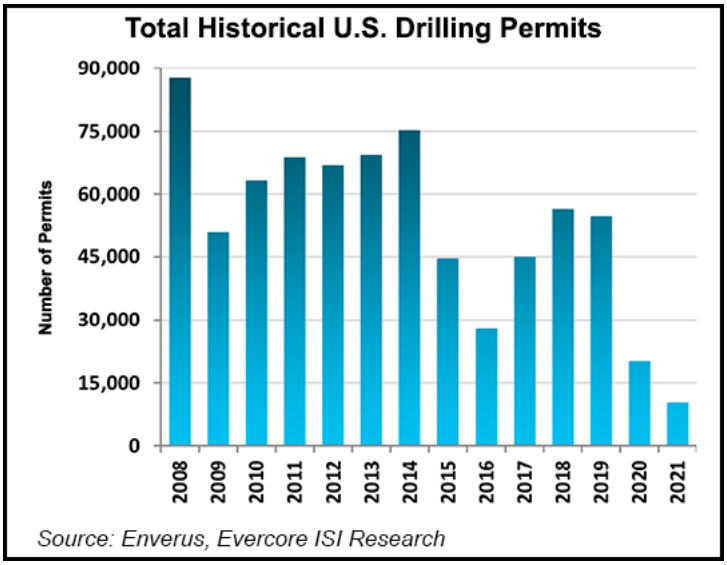
"Texas reported 33% less permits than the previous month,"

down by 325 from April, but it "still remains 37% ahead year-to-date from 2020."

Meanwhile, California recorded a 72% plunge in permitting from April, off by 123. That follows "a similar seasonal trend in previous years, with a 70% reduction in May 2020 and 35% decline in 2019," West said.

New Mexico showed a 13% increase in permitting activity for May, while Oklahoma permitting rose by 36%.

During April, Permian permit activity by the energy majors, which include BP plc, Chevron Corp. and ExxonMobil, comprised 6% of the total count in the basin. However, in May their collective total "was a meager 1% of the total permits," West said. Meanwhile, Pioneer Natural Resources Co. led the independents with the most Permian permits approved in May at 33, but its permit requests were down by about half from April. With two big mergers in a matter of months, Pioneer in May became one of the largest producers in the Permian, with output expected to average to 700,000 boe/d-plus in 2022. ■



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