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US oil rig count slips by just one

But analysts believe activity will continue declining in Q1

Houston—Oil prices that keep inching down appear not to have impacted the US oil rig count, which slipped by just one for the week ended Friday to 515, according to Baker Hughes data. But analysts believe more rigs could be idled soon.

- **Drilling to mirror oil price level**
- **More reductions, bankruptcies seen**
- **'Severe duress' likely in 2016**

That compares with 1,366 oil rigs for the same week in 2015. Total rigs fell by 14 to 650 this week, while horizontal rigs—which represent the heart of shale drilling—stood at 511, down from 1,253 a year ago.

"Land drillers will basically mirror the level of oil prices [this year] and people will use less rigs," Oppenheimer analyst Fadel Gheit said. "E&P companies that had employed 140 rigs [each], that won't happen again. It's over."

On Friday, NYMEX front-month crude futures settled down $1.78 at $29.42/b, the lowest settle since December 1, 2003.

Gheit, who earlier in the week told CNBC that half of all oil companies that drill for shale could go bankrupt, clarified to Platts that the unlucky operators most likely would be small public and privately held.

Gheit, whose team of research analysts follows mostly mid-cap to large-cap players, expects maybe one, if any, large players to fall, although he added 2016 will be a tough year for industry.

So far, somewhere between 30 and 42 oil companies have filed for bankruptcy in the last year, sources have said.

In individual shale plays, Baker Hughes data showed just a net loss of just one oil rig this week, although the Williston Basin and Permian Basin each lost two rigs.

The Williston, located in North Dakota and Montana, had 47 oil rigs working last week, down from 164 the same week last year, while the Permian—still the US' most active basin—was at 198 oil rigs, compared to 481 during the same week in 2015.

The Eagle Ford Shale, in South Texas, lost one oil rig last week to 64 compared with 174 the same week a year ago.

Simmons International analyst John Daniel

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OPEC crude output falls by 130,000 b/d in December

London—OPEC crude output fell by 130,000 b/d in December on lower volumes from Iraq, Nigeria and Saudi Arabia, a Platts survey of OPEC and oil industry officials and analysts showed Friday.

The latest survey—which expands the estimate for Iraq to bring in volumes from the semi-autonomous Kurdistan region and also includes an estimate for Indonesia—shows December output falling to 32.28 million b/d from 32.41 million b/d in November. For comparison purposes, the November table has been adjusted to include Kurdistan and Indonesia.

Volumes from Saudi Arabia dipped by 50,000 b/d to 10.1 million b/d. The kingdom is facing an unprecedented budget crunch amid the steep drop in oil prices since mid-2014. Despite sliding oil prices, however, it has given no indication that it is ready to abandon the market share strategy that it persuaded OPEC to adopt in November 2014. Indeed, although the December volume was down from that of November, Saudi output remains above the 10 million b/d it has consistently exceeded since March last year.

The new budget, King Salman's first since taking the throne in January 2015, forecasts spending of nearly $224 billion, only a small reduction in planned spending compared with 2015. In a research note following the government's announcement in December, Riyadh-based Jadwa Investments estimated the budget to be based on an average crude oil export price of $40.30/b and production of 10.2 million b/d.

Iraqi output fell by 50,000 b/d month on month, to 4.25 million b/d from an adjusted November volume of 4.3 million b/d. The Platts survey previously included in the estimate for Iraq only those volumes exported by the Kurdistan Regional Government under an agreement reached by Baghdad and Erbil in late 2014 to deliver 250,000 b/d of Kurdish exports on behalf of Iraqi state oil marketer SOMO at Ceyhan; it did not include volumes exported by the KRG on its own account.

Indonesia, which has rejoined OPEC, is estimated to have produced some 700,000 b/d of crude in December.

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TOP STORIES

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CNOOC's offshore crudes gain momentum

China's teapot refiners' consumption up 52% in 2015

Singapore—Offshore crudes produced by state-owned CNOOC gained a significant slice of demand from the country's teapot refining sector in 2015, preventing imported grades from raising their market share.

But this momentum is unlikely to be sustained as CNOOC struggles to boost production in a low price environment and its refining capacity expansions see it diverting more crude to its own refineries, a company source said.

Teapot refiners' consumption of CNOOC's offshore crudes rose 52% year on year to 16.63 million mt in 2015 and their market share went up to 31% from 24% in 2014, according to data from Beijing-based information provider JYD.

In comparison, consumption of imported crudes rose by 15% to 23.47 million mt (471,329 b/d) in 2015 from 2014 and their market share went down to 43.8% from 45.2%.

CNOOC's own oil output growth, a drop in production of other domestic grades and crude import quotas allocated to some teapot refiners were the key factors that drove up the company's crude sales to this segment, the company source said.

The source cited ChemChina's refineries in Shandong as an example of plants that are no longer buying CNOOC's crudes as they have won crude import quotas, making those barrels available to teapot refiners without crude import quotas.

CNOOC's offshore grades have also replaced Sinopec's Shengli crude—a one-time favorite of the teapot refiners given the field's proximity to their plants—and other domestic onshore crude produced by PetroChina.

JYD data shows that Shengli consumption in 2015 dropped 30% year on year to 3.62 million mt, while use of other domestic crudes also fell 4% year on year to 1.72 million mt.

Slowing pace

CNOOC was the only one to have recorded an increase in domestic crude production among China's three oil majors in the first three quarters of 2015.

During the period, CNOOC hiked output by 23% year on year to 206.6 million barrels (28.19 million mt) in comparison to PetroChina's 1.5% decline to 606.2 million barrels and Sinopec's 4.3% decrease to 232.51 million barrels, according to the companies' financial reports.

CNOOC is believed to have gone all out to lift its market share in the teapot refining sector, even promising to provide the teapot refiners outlets for their oil products, according to industry sources.

The CNOOC source however said he did not expect this momentum to continue this year since CNOOC's two refinery expansions are slated for completion in the second half of 2016.

The CNOOC Oil & Gas Taizhou refinery will add a new 3 million mt/year CDU in H2 2016 in addition to its current 1.5 million mt/year capacity in eastern Jiangsu province.

Meanwhile, the other 2.5 million mt/year Zhongjie refinery in central Hebei province is also in the process of upgrading, to be finished by the end of this year, which is believed will raise its crude throughput.

"When the expansion is over, more offshore crude will be processed by CNOOC's own refineries, thus not much [will be available] to sell to others," the source said.

He also said he expects the total offshore crude production this year to be less than last year, mainly due to the low crude prices.

Teapot run rates

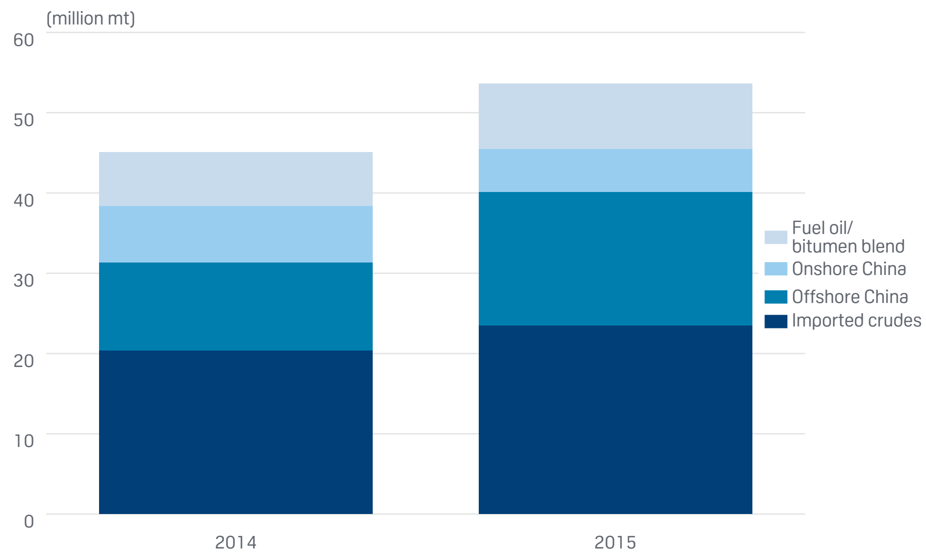
Meanwhile, China's teapot refiners processed a total 53.6 million mt of feedstock in 2015, up 19% year on year, according to JYD data. This comprised 45.44 million mt of crude and 8.16 million mt of fuel oil/bitumen blend.

JYD's monthly survey covered 36-38 operating teapot refineries in the eastern Shandong province. These refineries' combined capacity accounts for more than 70% of the total nameplate capacity of teapot refineries in the province.

Platts calculates the year-to-date feedstock consumption based on JYD's monthly reports.

The average run rate of the surveyed teapot refineries stood at 39.4% in 2015, up from 31.8% in the previous year as five major teapot refiners cut capacity to meet the government's criteria for winning crude import quotas, according to Platts calculations. *— Oceana Zhou, analysis by Daisy Xu*

FEEDSTOCK FOR TEAPOT REFINERIES IN SHANDONG CHINA



Source: JYD, Platts

China Hengyuan in talks to acquire Malaysia refinery

Singapore—China's Hengyuan Petrochemical is in talks with the Malaysian unit of Shell to explore the possibility of buying out the Port Dickson refinery at a cost of around $130 million, a source at Hengyuan said Friday.

"The deal is still under negotiation—not clear whether it will be a success," said a refinery source at the 5.5 million mt/year (110,000 b/d) independent refinery in China's eastern Shandong province.

Shell declined comment on whether its Malaysian subsidiary Shell Refining Company was involved in any such negotiations for its 156,000 b/d refinery at Port Dickson, which mainly supplies to the domestic market.

"The SRC Board continues to proactively investigate long-term options in the best interest of the company. These will include, but are not limited to, the potential sale of the assets, or conversion of operations to a storage terminal and/or other viable options," a Shell spokeswoman said.

The Hengyuan source said the company was hoping that if the deal did go through, it could make the Malaysian refinery a main refining unit focused on processing crudes into semi-products, then export products like naphtha to its 5.5 million mt/year refinery in China.

Hengyuan's domestic facility would then focus on the production of petrochemicals like rubber, the source added. *— Staff reports*

Iran ready to resume oil exports to Europe

Spanish, Italian refiners show interest in taking crude

Tehran—Iran is primed and ready to sell its crude to European markets as soon as sanctions are lifted and is likely to rekindle relationships with previous customers first, managing director of the Iranian Oil Terminals Company Pirouz Mousavi said Friday.

Reiterating similar comments by Iranian officials over recent months, Mousavi said Europe will be "100% a target" market after the Western sanctions are lifted.

Iran is preparing to reclaim lost market share after years of severe oil and financial sanctions that have more than halved Iran's crude exports.

Iran is currently exporting 1 million b/d of crude. In a few months time, according to oil minister Bijan Zanganeh, it will have doubled that volume after an initial increase of around 500,000 b/d.

"Necessary coordination has been made with the oil ministry and we are fully ready to export as much as planned," said Mousavi. "Those European countries which used to be our customers want to be the first ones to return as our customers and reopen their trade with Iran after the sanctions."

Europe bought some 600,000 b/d of Iranian crude in 2011 before Brussels banned its purchase in June 2012 as part of sanctions against Iran due to its nuclear program. At the time, Europe was the second-largest regional buyer of Iranian oil with refiners in Turkey, Greece, Spain and Italy its biggest regional customers.

The IOTC head said arrangements had been discussed with several economic delegations since the landmark July nuclear deal with six world powers.

Buying interest

The International Atomic Energy Agency is set to produce a report which is expected to result in the lifting of Western sanctions against the country.

"As soon as the sanctions are removed, there will be no big barrier left to export oil to Europe as they also want to have a good trade balance with Iran," Mousavi said.

"I think they have been almost finalized," he said, when asked if new contracts had been agreed for the Iranian oil that is due to hit the market after sanctions are removed.

A number of European refiners have said they would be interested in buying Iran's oil again when sanctions are lifted. They have noted, however, that the volumes and the timing of the imports would depend on the pricing of Iranian crude grades.

In 2011, Spain's Cepsa—which is owned by Abu Dhabi's International Petroleum Investment Co.—said it was importing around 70,000 b/d of Iranian crude, 50% of which is bought on a term contact basis and 50% from the spot market.

"Iran has always been an alternative to our purchase crude basket and Cepsa have maintained a business relationship with them," a company spokesman said Friday. "Therefore, if the lifting of Iran sanctions happens, we might consider include them among our options but there´s nothing decided yet."

Italy's Saras has also been working to lay the ground for new contracts for Iranian crude once the producer resumes exports.

Asian focus

Iran is also keen to expand its exports to big Asian markets, which will be able to receive far more crude after sanctions.

"Both China and India, highly populated countries, are our future markets and our strategy is to cover India and China's energy needs," Mousavi said.

The Chinese president is due to be in Tehran on January 22 for a two-day visit and an agreement on increasing oil exports will be finalized then, he said.

He refused to give the export figures for the post-sanctions era; however, Iran has said previously that within six months it aims to take export volumes back toward pre-2012 levels of 2.2 million-2.3 million b/d.

The International Energy Agency estimates Iran's crude output capacity at 3.6 million b/d. Zanganeh said last year that capacity was 3.8 million b/d. — *Aresu Eqbali*

Libyan tanker loading halted over security fears

London—Libya's state-owned National Oil Corp. said Friday attempts to load a crude oil tanker from the damaged Ras Lanuf terminal for the first time since December 2014 were halted by the Oil Installations Guards citing security concerns.

NOC also said the tanker was now being diverted to another port.

The Aframax Nassau Energy was expected to load 80,000 mt of crude from Ras Lanuf this week, but on Friday morning it was traveling eastward not far the port of Derna, just east of Benghazi, according to Platts cFlow trade flow software.

"As the tanker was getting ready to enter Ras Lanuf Port and start the shipping operation, the Oil Installations Guards of the region prevented the tanker from entering the Port on the pretext of the security circumstances," the NOC said in a statement.

Last week, the 220,000 b/d capacity Ras Lanuf facility, Libya's third-largest oil terminal, was hit by violence when two storage tanks were set on fire during clashes with Islamic State militants which began January 4. The fires were extinguished on January 8.

As a result, NOC confirmed this week that it was clearing out its storage tanks at Ras Lanuf due to concerns over escalating attacks and violence by IS militants.

NOC said it had to take some urgent measures including an attempt to empty the remaining crude oil out of the tanks to mitigate any damage should there be another fire.

Libyan oil production is currently averaging 380,000 b/d according to a statement Monday by NOC Chairman Mustafa Sanalla as the country's oil sector remained fragile after a spate of attacks by IS militants in the past two weeks.

The current oil output level is the lowest since November 16, when production was around 375,000 b/d, according to Platts' estimates.

Libyan oil production continues to languish at less than a third of its 1.5 million b/d capacity due to instability in the country and technical difficulties at oil fields.

The country's oil output in 2015 was volatile, with a peak of more than 600,000 b/d in March, with the average around 400,000 b/d compared with 920,000 b/d in 2013 and pre-civil war output of around 1.5 million b/d.

A UN-brokered deal between Libya's two rival governments in late December had increased optimism about greater political stability. — *Eklavya Gupte*

BP, Rosneft plan to close Ruhr Oel deal by year end

Moscow—Rosneft and BP said Friday they expect to complete a deal to restructure their German refining assets by the end of 2016, with EU regulators likely to approve it by the end of the first quarter.

The two companies have signed a binding agreement on dissolving their joint venture Ruhr Oel, through which they jointly own the Bayernoil, MiRO, PCK and Gelsenkirchen refineries.

As a result of the deal, Rosneft will double its stakes in Bayernoil to 25% from the current 12.5%, in MiRO up to 24% from 12%, and in PCK Raffinerie to 37.5% from 18.75%, Rosneft said. BP in turn will consolidate a 100% stake in Gelsenkirchen and DHC Solvent Chemie.

German regulators have already approved the deal and the companies expect the European Commission to approve it in the first quarter of 2016.

"Sole ownership of the Gelsenkirchen refinery will re-focus BP's refining business in the heart of Europe and is in line with the company's drive for greater simplification and efficiency," the companies said in a joint statement. — *Rosemary Griffin*

Brazil to hold subsalt leases until prices rise

Still interested in selling acreage, but doesn't want to give them away

Rio de Janeiro—Brazil's promising subsalt oil frontier remains "extremely advantageous and viable" for it economy, but the country will not give the acreage away with oil prices at current levels, President Dilma Rousseff said Friday.

During a breakfast with reporters at the Presidential Palace in Brasilia, Rousseff said "nobody is going to auction exploration blocks with oil at $30/b, not if they don't want to just give it to somebody." The comments were confirmed by the government's official Agencia Brasil news agency.

While Rousseff said selling subsalt acreage was "absolutely in our interest," the quality of subsalt oil and lower exploratory risk associated with the region given its current state of development mean sales at current prices would not be a smart move for Brazil.

Oil companies, however, could have access to lower-value acreage, Rousseff said. "We're looking at it, primarily in those areas for onshore wells," she said.

Brazil's National Petroleum Agency, or ANP, said in December that while the regulator was prepared to hold an auction of exploration and production concessions in 2016, none had been scheduled. The ANP held two licensing sales in 2015, with both generating no interest from global majors amid the ongoing decline in oil prices.

Petrobras crisis

The collapse in oil prices has led to a cash crunch at state-led oil company Petrobras, which is the lead operator of subsalt exploration and production in Brazil. Rousseff said the government was watching the company's financial troubles closely, but that the gloomy outlook for prices has put all oil producers on edge.

"Petrobras is not going to stop production with oil at less than $30/b," she said. "But obviously, if prices continue to fall everybody will have to take a second look at what they're going to do."

On Friday, Petrobras said in a regulatory filing that it was canceling the local sale of debentures that had been expected to raise about $750 million for the company. The company had suspended the sale last year. Petrobras also previously canceled a proposed sale of a minority stake in its fuel-distributions unit, BR Distribuidora, via a share listing on the Sao Paulo Stock Exchange.

The government, which was said to have rebuffed Petrobras Chief Executive Aldemir Bendine's recent request for a capital injection, hasn't yet discarded evaluating such a move, Rousseff said.

"The government is always worried about Petrobras, especially when the factors hurting the company are external," Rousseff said. "So, we're not going discard that an evaluation would be necessary if the current situation is maintained." — Jeff Fick

US oil rig count slips by just one

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said low oil prices and "prospects for significantly" lower E&P capital spending caused him to forecast the Q1 2016 total rig count at 625 rigs, down from an average 673 in Q4 2015.

Daniel sees drill-bit capex down 40% to 45% in 2016 year on year, on top of a 35% drop in 2015.

With the oil rig count at levels not seen since April 2010 when the shale oil boom was just getting underway, the start of 2016 "is beginning to look and feel similar to early 2015 with oil prices surprising to the downside," Wells Fargo analyst Jud Bailey said in a Thursday investor note.

"In our view, the industry faces the prospect of severe duress in the coming months," Bailey said.

In talking to drillers and service companies in the last week or so, the analyst believes with oil prices persisting below $35/b, managers are now "moving to Plan B" cost-cutting—harsh measures forged last year to prepare for the worst but which "they hoped not to use."

"As a result, we believe the next round of headcount reductions will likely entail cutting high-quality people and facilities that will mark a more strategic shift for some companies to abandon specific basins or shrink certain product lines," Bailey said, adding these steps "could... constrain available capacity in a recovery."

With the books now closed on 2015 and quarterly conference calls set to begin in the next week or so, analysts are anticipating grim remarks from oil companies and drillers.

"We believe commentary for [first-quarter] 2016 will be even more bearish than originally anticipated," UBS analyst Angie Sedita said in a Thursday investor note.

"In Q1 and potentially into Q2 we would expect further US land rig count declines and thus even greater pressure on revenues and margins in first-half 2016 than originally expected."

Sedita said she expects the US land rig count to remain weak for all of 2016 and "essentially flattish" from current low levels. She expects the Baker Hughes total rig count to average about 700 rigs, and a "modest" rig count recovery for 2017 to an average 900 rigs.

'In Q1 and potentially into Q2 we would expect further US land rig count declines and thus even greater pressure on revenues and margins...than originally expected' — UBS analyst Angie Sedita

Just over two weeks into a new year, investment bank Evercore ISI has already pegged 2016 as a "lost year" for industry.

"We have been too sanguine surrounding the risks to crude" and E&P companies, Evercore said in a recent note outlining its 2016 view of industry.

A full year after what it called the "re-set of the crude cycle," Evercore expects the rolloff of oil hedges which kept some E&Ps drilling last year despite low crude prices, coupled with a slowing of services and equipment cost deflation which was 25% to 40% in 2015, to "become apparent" this year.

The reality of current oil prices could also force some asset sales "that will impair the ability to grow volumes into 2017 and beyond," Evercore said. — Starr Spencer

US RIG COUNT FALLS BY 14

Houston-The US rig count was 650 for the week ended January 15, down by 14 from the prior week, according to Baker Hughes.

The latest count includes 624 land and 26 offshore, with 135 assigned to gas, 515 to oil and 0 to miscellaneous drilling. The rigs were drilling 77 vertical, 62 directional and 511 horizontal wells.

Here are Baker Hughes' latest figures for the total number of active rigs in the US (with selected states) and Canada, plus comparable figures for a week ago and a year ago:

	1/15/16	1/8/16	1/16/15
US	650	664	1,676
Alaska	9	9	11
California	8	7	18
Colorado	20	22	64
Kansas	12	11	24
Louisiana	54	59	107
New Mexico	32	34	92
North Dakota	47	49	156
Oklahoma	87	83	201
Texas	301	308	766
Wyoming	15	16	47
Canada	227	166	440

TAPPING THE BARREL

Highlights from the Platts Barrel blog

Europe's petchem producers also hit by crashing oil prices

In the next few weeks the first ship bringing US shale gas to Europe will arrive on the southern shores of Norway, marking an end to Ineos' search for cheap feedstock to power its European petrochemical assets.

Plagued by $100/b oil, European petrochemical producers in 2012 were struggling with margins and started looking abroad for cheaper feedstock options. The contracting European margins coincided with plentiful and inexpensive supplies of ethane-rich natural gas in the United States.

Ineos' $2 billion deal to build ships and storage facilities to import US gas for its flagging assets in Europe looked like a no-brainer. At the time, NWE naphtha was trading at a premium of $720/mt to Mont Belvieu,Texas, ethane, according to Platts data. This price differential was more than enough to cover the high logistical costs associated with moving volatile ethane some 3,500 miles across the Atlantic.

Fearing being left behind, Borealis, Sabic and Reliance rushed across the Atlantic to sign similar deals, pledging hundreds of millions of dollars to charter the as-yet unbuilt ships to transport the gas.

But as Ineos' first so-called Dragon-ship docks at Rafnes steam cracker in Norway this quarter, the cruel irony is that the ethane cash cow has turned into a red herring as profits from bringing ethane across the Atlantic are now lower than simply cracking more traditional domestically produced naphtha.

According to Platts calculations, and using Mont Belvieu gas price of $113/mt and assuming logistics costs of $100/mt, the variable cost of landing US ethane in Europe minus the cost of selling any co-products associated with cracking the gas in Europe is $134/mt.

The same calculation for European naphtha is $56/mt. This means that for the first time in history the marginal cost of producing plastics in Europe will not be determined by the value of crude oil, but by the price of US gas.

It is a remarkable turnaround and the shift in the petrochemical merit order has everything to do with crashing oil prices and nothing to do with the price of gas so far.

So will it last?

Those that signed the deals have two defenses to claims that ethane purchase deals may be a bane rather than a boon for them. — *Michael McCafferty in London*

For more daily news, insight and analysis, read the Barrel blog at blogs.platts.com.

FUEL FOR THOUGHT

To get big results in the US Congress, start small

If you want to exercise big influence in Washington, think small.

There are hundreds of groups of US legislators huddled around special interests in the Congress, including several dozen organized around energy-related issues. These groups, sometimes called congressional caucuses, are often the first place an industry group will go to start the conversation on a key issue, whether it be protecting US refiners or promoting oil and gas exploration off the Atlantic coast.

The size of these "Congressional Member Organizations"—their formal name - can be as small as a handful of legislators pushing a specific issue.

The "Congressional Rock and Roll Caucus," for instance, was formed in 2012 by a legislator whose district includes the Rock and Roll Hall of Fame in Ohio.

There are other narrowly-focused groups, centered around such issues as bicycles, cement, horses, hockey and cranberries.

Energy-related caucuses include those focused on biofuels, US refining, the use of algae as a fuel source, and LNG exports.

The Congressional Carbon Dioxide Enhanced Oil Recovery (CO2-EOR) Caucus was formed last year by three congressmen, including Rep. Gregg Harper, a Republican from Mississippi.

Harper's district includes the Kemper Project, a Southern Company power plant that pairs a gas-generation unit with a coal-generation unit. The carbon dioxide emitted will be captured, then sold to companies who plan to pump it into oil reservoirs to coax out previously unrecoverable crude.

The issue of carbon capture and sequestration comes before the US Congress in may forms, from providing money to fund extensive research at national laboratories, to providing tax credits for companies adopting the nascent technology.

The aim of the CO2-EOR caucus is to educate members who will be asked one day to vote on such matters.

"The general idea is to get industry and congressional leaders together to help each other learn what the issues are surrounding enhanced oil recovery and then to work on those challenges," said Jordan Downs, deputy policy director for Rep. Harper.

Unlike some groups, which come together to push a specific bill, the CO2-EOR caucus is playing the long game, focusing on raising the profile of the issue.

"There are very few issues that are solved overnight or in two months or maybe even two years," Downs said. "A lot of it is education."

Slow and steady wins this race

The groups host informational meetings, often involving pizza and a guest speaker. A large percentage of the time, the meeting is attended by staff members, who then go back and keep their congress member up to speed.

"The engagement level of staffers is key," said Anne Korin, who has presented to caucuses about alternative transportation fuels on behalf of the Institute for the Analysis of Global Security.

"Smart, focused, and passionate staffers that have the blessing of their boss can move mountains, and caucuses help them—through educational events, group letters, and so forth—get the word out and mobilize support for a given issue."

These groups can often be the first place to go when an issue arises in Congress that needs immediate attention, said Bob Dinneen, president of the Renewable Fuels Association.

"The caucuses would be the first line of defense or offense," Dinneen said. Caucus members, such as those of the Congressional Biofuels Caucus, are "most likely the folks that who are going to support your agenda—folks you go to first to alert them of a threat or invite them to proactively pursue a legislative agenda. They have already identified themselves as being supportive of your cause, so let's go there first and you build from there."

Randall Luthi, the president of the National Ocean Industries Association, has presented to several such groups, including the Atlantic Offshore Energy Caucus. The group was formed last year to "to advance policies that explore and expand energy production in the Atlantic Outer Continental Shelf."

While the members who formed the caucus are already sold on the idea of energy development, Luthi said talking to them can help spread accurate information to other legislators.

"It's impossible to reach every member of the hill on every issue," Luthi said. "Our job is to educate members of congress about our issues, to share with them the information we know. You want to make sure the information is consistent.

"Then you also have given them information to go talk to their colleagues about." — *Gary Gentile in Washington*

Colombia's December crude output falls 1.4%

Oil patch investment cuts set to hurt output growth in 2016

Bogota—Colombia produced an average 993,800 b/d of crude in December, a 1.4% reduction from the 1.007 million b/d produced during the same month in 2014, but a 0.5% gain from the 989,000 b/d pumped in November, the Mining and Energy Ministry said Friday.

Minister Tomas Gonzalez highlighted Colombia's full-year production, which averaged 1.005 million b/d for 2015, an increase of 1.8% from 988,100 b/d produced on average during the previous 12 months.

In 2013, Colombia averaged a record 1.007 million b/d of crude. Recovering a production level above 1 million b/d for the full year has had a "positive impact," he said.

Despite the increase in full-year average production, the collapse in global prices of oil and coal, which are two of the largest export products in Colombian foreign trade, has created a $9 billion shortfall in the government's budgeted fiscal revenue for 2016. As a result, the country is raising taxes and selling state assets.

On Thursday, state-controlled oil company Ecopetrol completed the sale of its 58% interest in electric power generator Isagen for $2 billion to Canada-based Brookfield Asset Management. It is the biggest privatization in Colombia in more than a decade and provoked protests by members of the oil workers union.

Attacks on the decline

The increase in 2015 average output versus 2014 can be attributed partly to a sharp decline in oil infrastructure attacks by leftist guerrilla groups, the Revolutionary Armed Forces of Colombia and the National Liberation Army, known by the Spanish initials respectively as the FARC and the ELN.

Total attacks by the FARC on pipelines and tanker truck convoys hauling crude fell to 78 in 2015 versus 130 the previous year, according to Orlando Hernandez, president of the Bogota-based security consultancy firm Agora Consultorias.

The FARC, which is negotiating a peace agreement with the government to end 50 years of civil conflict, declared three separate moratoriums during the year on attacks. The moratoriums were seen as goodwill gestures. The last declaration suspending attacks in December is still in effect.

Maintaining Colombian output above 1 million b/d will be more difficult in 2016, industry leaders say. Three years of declines in oil-field investment are beginning to impact output, they say.—Chris Kraul

OPEC crude output falls by 130,000 b/d in December

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Force majeure

Nigerian output dipped by 40,000 b/d to 1.86 million b/d as a slightly shorter loading program was exacerbated by the declaration of force majeure on Brass River crude exports on December 24. Trading sources said exports of the grade restarted in the latter part of this week.

December also saw the restart of the 125,000 b/d Kaduna refinery and the two refineries at Port Harcourt with combined nameplate capacity of 210,000 b/d. By early January, all four of the country's plants were online for the first time since July last year, although utilization rates were unclear. Nigeria's total nameplate capacity is 445,000 b/d.

A UN-brokered deal between Libya's two rival governments in late December has so far failed to bring about greater political stability, as shown by the recent spate of attacks carried out by the so-called Islamic State.

Libyan production in December averaged 380,000 b/d, largely unchanged from November and still below the 480,000 b/d achieved in March, which was its strongest month in 2015. Libya's oil output continues to languish at a fraction of the 1.58 million b/d level pumped before the 2011 uprising due to instability in the country and technical difficulties at oil fields.

Finishing line in Iran

Iran is estimated to have produced 2.89 million b/d in December, up 10,000 b/d from November.

Output and exports are expected to rise in the coming months following the anticipated imminent lifting of international sanctions. The country's top nuclear negotiator, Abbas Araghchi, said earlier this week that the UN's nuclear watchdog, the International Atomic Energy Agency, was due to submit its report on Iranian compliance with its nuclear commitments by Friday and that the "finishing line" would be reached over this weekend, bringing years of sanctions to an end.

Prices, meanwhile, are languishing near 12-year lows, pushed down by the weight of ample supply and brimming stocks. Brent crude futures fell below $29/barrel on Friday to trade at $28.82/b, the lowest level since February 12, 2004. OPEC's own crude basket, representing streams from all 13 member countries, stood at $25/b on Thursday.

On Monday, Nigerian oil minister Emmanuel Kachikwu said that OPEC was likely to hold an emergency meeting if oil prices dropped below $30/b. But UAE oil minister Souhail al-Mazrouei dismissed the case for an emergency meeting, saying OPEC's laissez-faire strategy on output was working.

On Tuesday, the US Energy Information Administration forecast that US crude oil production would average 8.46 million b/d in 2016, down from the likely peak average of 9.4 million b/d last year. But the EIA sees total world supply climbing to 95.93 million b/d this year, about 740,000 b/d above anticipated consumption of 95.19 million b/d. — Margaret McQuaile

RECENT OPEC PRODUCTION (IN MILLION B/D)

	December	Change	November
Algeria	1.1	0	1.1
Angola	1.8	0	1.8
Ecuador	0.54	0	0.54
Indonesia	0.7	0	0.7
Iran	2.89	0.01	2.88
Iraq	4.25	-0.05	4.3
Kuwait	2.75	0	2.75
Libya	0.38	0	0.38
Nigeria	1.86	-0.04	1.9
Qatar	0.66	0	0.66
Saudi Arabia	10.1	-0.05	10.15
UAE	2.9	0	2.9
Venezuela	2.35	0	2.35
Total	32.28	-0.13	32.41
(Excluding Indonesia)	31.58	-0.13	31.71

* The estimate for Iraq currently includes volumes exported by semi-autonomous Kurdistan under an agreement reached by Baghdad and Erbil in late 2014 to deliver 250,000 b/d of Kurdish exports on behalf of Iraqi state oil marketer SOMO at Ceyhan. It does not include volumes exported by the Kurdistan Regional Government on its own account.

OPEC ministers failed to agree on an official output ceiling at their December 4 meeting in Vienna. The group had previously maintained a 30 million b/d ceiling that came into effect in January 2012. No individual country quotas were distributed under this ceiling. OPEC will hold its next ministerial meeting on June 2 in Vienna.

Source: Platts

NYMEX crude below $30/b for first time since 2003

New York—Front-month NYMEX crude on Friday settled below $30/b for the first time since December 1, 2003, as a wave of selling spread across futures and equities markets, while reports of an imminent implementation of the Iranian nuclear deal added to supply glut concerns.

NYMEX February crude settled $1.78 lower at $29.42/b and ICE March Brent—which is now the prompt contract—settled down $1.94 at $28.94/b.

During trading, WTI fell as low as $29.13/b, last lower in November 2003, while Brent touched $28.82/b, the lowest level since February 2004.

Both contracts shed significant value over the course of the week, with WTI dropping $3.46, or 10.5%, from last Friday's settle and Brent sliding $4.61, or 13.7%.

Refined products tracked the fall in crude prices, with NYMEX February RBOB settling 4.72 cents lower at $1.0212/gal and ULSD 4.65 cents lower at 93.43 cents/gal.

The impending addition of Iranian barrels to an oil market that is oversupplied by as much as 1.5 million b/d, according to International Energy Agency estimates, weighed on the market.

On Thursday, a spokesman for Iran's Atomic Energy Organization said that the country had removed the sensitive core from its Arak nuclear reactor and that UN inspectors were set to visit the site.

Scott Modell, managing director of The Rapidan Group, forecasts 200,000 b/d of Iranian crude coming back onto the market in February, increasing by an additional 200,000 b/d in March.

The Rapidan Group, an energy consultancy, forecasts an additional 600,000 b/d of Iranian exports from current levels by the end of 2016.

While slowing economic growth and deflationary pressures in China has been weighing on crude prices and equity markets, data released Friday raised concerns about the direction of the US economy.

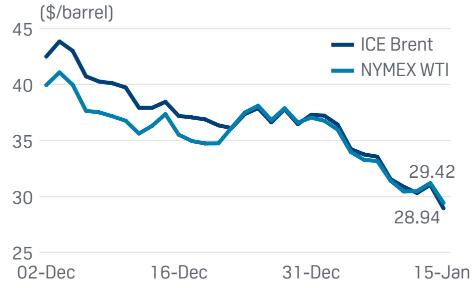
The US Department of Commerce said that advanced estimates for retail and food services sales were down 0.1% in December after growing steadily through 2015.

"Some recent activity indicators have been on the softer side, pointing to a relatively weak fourth quarter for real GDP growth," William Dudley, the president of the Federal Reserve Bank, said Friday.

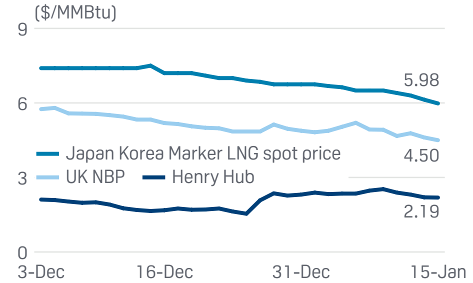
Analysts have cited robust gasoline demand—in part due to falling prices at the pump—as one of the only bright spots in the oil complex.

The market failed to find any support from Friday's release of the Baker Hughes Rig Count, which showed a decline of just one oil drilling rig in the US over the past week despite sinking oil prices. There are 515 rigs drilling for oil across the US compared to 1,366 a year ago. — Jack Laursen

NYMEX WTI, ICE BRENT CRUDE OIL FRONT MONTH DAILY SETTLES



GLOBAL GAS PRICE COMPARISON



Source: Platts, prices are rounded

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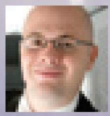

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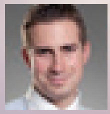

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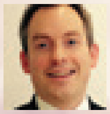

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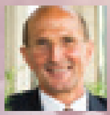

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