

AS SEEN ON:



Permian investments grow as market shows signs of recovery

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CARLSBAD, N.M. (AP) — An American energy investment company has pledged \$8.5 million to develop oil and gas assets in the Permian Basin that are owned by Shell Oil Co.

The announcement this month by U.S. Energy Development Corp. to acquire interest in a horizontal well project near the New Mexico-Texas state line is an indication that some operations are looking to expand their footprint in what is still considered one of the country's most productive oilfields.

With a total development cost of about \$24 million, the project will target part of what government scientists have identified as the largest continuous oil and gas resource in history, the Carlsbad Current-Argus reported.

U.S. Energy CEO Jordan Jayson said the company has already seen success in the Permian Basin. The firm in 2019 acquired operations in Ward County, Texas, and began operating three wells in the Wolfcamp shale formation with plans to invest another \$40 million into the project by the end of the year.

The investment comes after a historic decline in the oil and gas market brought on by the COVID-19 pandemic and slumping fuel demands. Over the last several months, oil and gas companies have been trying to position themselves to capitalize on the Permian Basin as demand recovers.

<https://www.msn.com/en-us/money/markets/permian-investments-grow-as-market-shows-signs-of-recovery/ar-BB19s2fW>

Global demand fell from about 100 million barrels per day in the first half of 2019 to 90 million barrels per day in the first half of 2020, according to a report issued this week from the Energy Information Administration. The agency said the market saw some support through increased exportation in the first half of the year compared to the same period in 2019.

The increase was led by exports to China, which grew to an average of 361,000 barrels per day in first half of 2020. Exports to China continued to increase mid-year, making China the largest destination for American crude during May and June.

Meanwhile, the U.S. oil imports declined this year as more oil was produced domestically as demand declined.

During the first half of 2020, U.S. crude oil imports averaged 6.2 million barrels per day, down 12% compared with the first half of 2019.

Robert McEntyre, spokesman for the New Mexico Oil and Gas Association, said investments during the price slump will better prepare operators for the market's ultimate recovery.

"Prices seem to be responding to some of the production curtailments since early spring. But our recovery is heavily dependent on our ability to recover from the pandemic and restore people's ability to return to some form of normal life," he said.

He added: "The geology has not changed. The longer-term value of those resources has not changed."

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