$50 Billion Kashagan Starts Exporting Oil

By Nariman Gizitdinov, Bloomberg News

Kashagan, a vast oil field in the Caspian Sea, sent its first crude for export, after about 16 years in development and more than $50 billion of investments.

The venture loaded 26,500 metric tons of crude for export into the country’s pipelines, Kazakhstan’s Energy Ministry said in an e-mailed statement. Of that, 7,700 tons was sent to the Caspian Pipeline Consortium. Reaching stable production will take “some time” as commissioning work continues both offshore and onshore, the ministry said.

The project has been plagued by multiple delays and cost overruns. A 2008 budget estimate of $38 billion jumped to $53 billion by the end of last year as the partners replaced undersea links after sour gas cracked the pipes. The crude from Kashagan is reaching an already saturated market, with prices at less than half the level of 2013 when the project hit a setback. Expectations for the field’s exports even prompted OPEC to flip supply predictions for next year.

“Restarting production even in this low oil price environment is good because it means beginning to see some returns on that massive investment,” Andrew Neff, Paris-based principal analyst at IHS Energy, said by e-mail. “The real payoff will be phase 2,” which has the potential to increase output to 1 million barrels a day, he said.

North Caspian Operating Co., which took over from Eni as operator of the field in 2009, said it’s working to gradually increase production capacity to a target level of 370,000 barrels a day by the end of 2017. U.K. consulting firm Wood Mackenzie forecasts only about 154,000 barrels a day from the field in 2017.

Development of the offshore deposit, initially due to come on stream more than a decade ago, was prolonged by the need to build remote islands to support drilling equipment. Although production finally got going in September 2013, it was halted just weeks later because of the pipe defects.

The ownership of the discovery has shifted over the years. Kazakhstan raised its stake to 16.88 percent; Eni, Total, Royal Dutch Shell and Exxon Mobil each own hold 16.81 percent. China National Petroleum Corp. joined with an 8.33 percent interest and Japan’s Inpex has 7.56 percent. Full story on web.

Brent Volatility Hits Lowest Level in More Than a Year

Brent front month volatility fell to 31.22 percent today — the lowest since July 2015 — as Brent held above the $50 level since Oct. 3. Volatility peaked at 97.5 percent on Jan. 25 this year.

— Christopher Sell, Bloomberg Briefs Editor

$100 Billion

Size of combined assets of Sinochem Group and China National Chemical Corp., which are reportedly planning to merge.

Quote of the Day

“It’s just confidence in the market that has increased. I think that’s one of the psychological impacts of this OPEC announcement. You don’t know what the details are going to be, but never mind.”

— Norbert Ruecker, head of commodity research at Julius Baer Group Ltd. in Zurich
Supply

Oil headed for a fourth weekly advance in anticipation of a production cut led by OPEC and a decline in crude stockpiles at the largest U.S. storage hub. WTI futures rose 1.1 percent, pushing the weekly gain to 2.4 percent. The Organization of Petroleum Exporting Countries took a significant step toward coordinated supply curbs with Russia this week and will meet for a further “technical exchange” to set a road map for production levels later this month in Vienna. Full story on terminal.

Increased drilling by shale producers buoyed by higher prices will slow the decline in U.S. crude production, a government forecast showed. The EIA raised its outlook for crude production in the U.S. next year, which now is estimated to fall 1.6 percent from 2016, compared with the 3 percent decline it predicted last month in its monthly Short-Term Energy Outlook. The forecast released Oct. 13 takes into account a surge in drilling activity as crude prices rose 90 percent from lows in February. Full story on terminal.

Companies

China is planning to merge Sinochem Group and China National Chemical Corp. as the government continues its overhaul of state-owned enterprises, according to a person familiar with the matter. Details of the deal, which would combine two companies with assets of more than $100 billion, weren’t immediately clear and the plan is still subject to change, the person said. In response to the Bloomberg story, a China National Chemical representative said “there is no such thing,” while a Sinochem spokesperson said he wasn’t aware of such discussions. Full story on terminal.

Oil & Natural Gas Corp., the largest Indian oil and gas explorer, and Hong Kong-listed United Energy Group Ltd. are among bidders for Bangladesh natural gas assets being sold by Chevron Corp., people with knowledge of the matter said. United Energy submitted a joint offer with Chinese conglomerate Orient Group Inc., one of the people said. The gas fields, which could fetch as much as $2 billion, have also drawn interest from Brightoil Petroleum Holdings, the people said. Full story on terminal.

RSP Permian agreed to pay $2.4 billion in cash and stock for Silver Hill Energy Partners amid increasing competition for drilling rights in the biggest U.S. oil field. Silver Hill controls drilling rights to about 41,000 net acres in the Permian Basin of West Texas. Full story on terminal.

Market Calls

Credit Suisse has lowered its oil price forecast for 2018 and 2019 by $5 a barrel. It now forecasts Brent 2018 and 2019 at $65 a barrel and WTI at $62.50 a barrel, it said in a report Oct. 13. Full story on terminal.

OPEC cargoes will decline by 50,000 barrels a day to 23.79 million barrels a day in the four weeks to Oct. 29, compared with a similar period to Oct. 1, tanker tracker Oil Movements said in a report. Full story on terminal.

The fracklog may be here to stay. Even as oil and natural gas prices rise, allowing explorers to bring wells online at a faster clip, analysts at Wood Mackenzie estimate that a quarter of uncompleted U.S. wells will ultimately never come online. Full story on terminal.

EIA Top Live Highlights

Each week, Bloomberg News live-blogs the EIA U.S. oil inventory data. Below are some of the highlights from yesterday. Terminal users can click here for a link to the full blog.

- Total U.S. inventories (crude and products) fell by another 5.06 million barrels last week, the fourth straight decline. Stockpiles are now the lowest since February. While supplies are still above the five-year range, they are taking a sharp dip back toward normal levels.
  — David Marino, Team Leader: Oil-Americas

- U.S. production slips for a third week, declining 17,000 barrels a day to 8.45 million, near the 52-week low of 8.43 million. Earlier today, the EIA forecast that crude output would average 8.73 million barrels a day this year and 8.59 million in 2017.
  — Richard Stubbe, Energy Editor

- Distillate exports tumbled by 418,000 barrels a day to the lowest in three years. That results in a jump to implied demand. Seems like a radical move, so either exports have been vastly overstated for a while, or we may see a reversal in coming weeks.
  — David Marino, Team Leader: Oil-Americas

- Refinery inputs fall for the fifth week in a row, following the normal seasonal pattern.
  — Richard Stubbe, Energy Editor

- Diesel bulls will be sad to see that PADD 1 distillate supplies jumped 2.72 million barrels. Overall distillate decline of 3.75 million barrels was all on the Gulf Coast. Crack spread drifting lower, drops below $16/barrel.
  — David Marino, Team Leader: Oil-Americas

- First gain in crude stockpiles in six weeks, first decline in gasoline in three weeks, third consecutive drop in distillates and the largest weekly decline since January. Imports rise 2 percent from the previous week to 7.86 million barrels a day.
  — Richard Stubbe, Energy Editor
Refinery Outages

PBF Energy said the Torrance refinery’s fluid catalytic cracker is to start within a week, after a power disruption on Oct. 11, according to a state filing.

— Robert Tuttle

Eni’s Livorno refinery is to stay shut until mid-November for work, according to the municipality. The refinery is to remain halted from Oct. 3 for 40 days for five-year scheduled general maintenance, it said in an online notice. The plant can process 84,000 barrels a day, according to data compiled by Bloomberg.

— Bill Lehane and Firat Kayakiran

The Dutch Zeeland refinery, which is jointly owned by Total and Lukoil, ended maintenance and restarted all of its units this week, refinery spokeswoman Marina van de Linde said by phone. The shutdown started around Sept. 22, Total and Lukoil said in a statement on Sept. 19. The refinery has a capacity of 148,000 barrels a day, according to data compiled by Bloomberg.

— Fred Pals

PBF’s 27,000 barrel-a-day coker at the Torrance, California, refinery restarted on Oct. 13, according to Genscape. Increased activity was also observed at the 100,000 barrel-a-day fluid catalytic cracker, it said.

— Jessica Summers

Petrobras has restarted the 56,000 fluid catalytic cracker at its Pasadena, Texas, refinery, according to Genscape. Unit heating and scrubber emissions returned to normal operating levels on Oct. 13, it said. The unit had been ramping up since Oct. 9.

— Jessica Summers

WTI Survey

WTI Crude Outlook Bearish, Analysts Say in Weekly Survey

By Mark Shenk, Bloomberg News

Analysts and traders are bearish on WTI crude futures, a weekly Bloomberg survey shows.

Of the 28 surveyed, 23, or 61 percent, were bearish, with five, or 13 percent, bullish. The remaining 10, or 26 percent, were neutral.

WTI rose $0.63 this week to $50.44 on Oct. 14.

— Jessica Summers
**Bloomberg Brief: Oil Buyer's Guide**

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**Oil Buyer's Guide**


**Benchmarks**

**Spots**

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<th>AMERICAS</th>
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**Futures Based Swaps**

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**PERIOD | NYULSD/BR | NYRB | NYRB/WTI | NYRBR | RBHO**
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Source: Bloomberg

For live spot prices click here or run BOIL<GO> on Bloomberg. For crack spreads click here or run CRKS<GO> on Bloomberg.

For live swap prices click here or run CFVL<GO> on Bloomberg Spot prices as of end of previous day. Futures as of 7:30 a.m.

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Here’s an overview of useful functions for oil traders, analysts and researchers. Each function is linked to the terminal. If you have any feedback about this page or the content of the Briefs, please contact Paul Smith, brief editor, at psmith152@bloomberg.net.

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