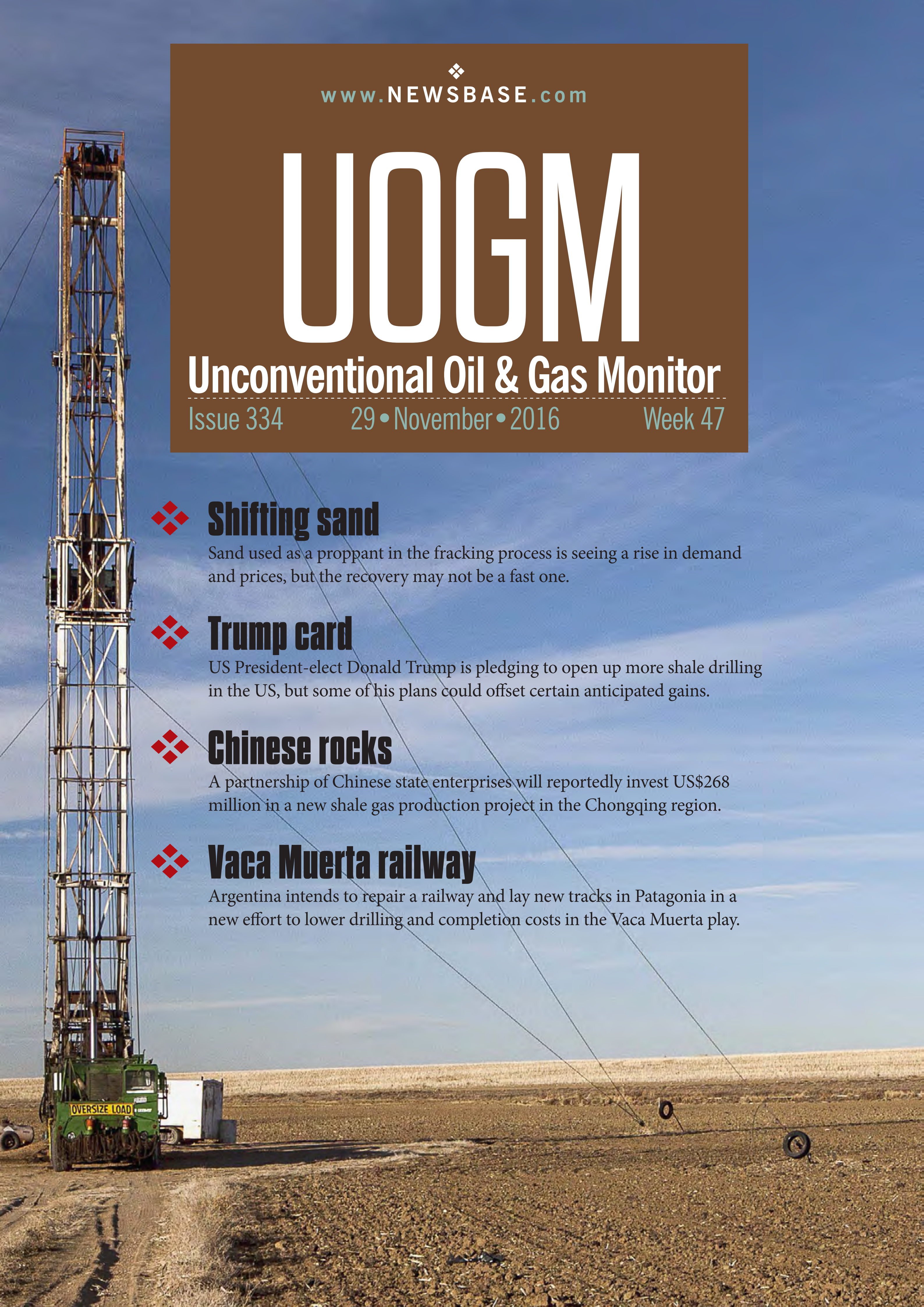

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Shifting sand

Sand used as a proppant in the fracking process is seeing a rise in demand and prices, but the recovery may not be a fast one.

Trump card

US President-elect Donald Trump is pledging to open up more shale drilling in the US, but some of his plans could offset certain anticipated gains.

Chinese rocks

A partnership of Chinese state enterprises will reportedly invest US$268 million in a new shale gas production project in the Chongqing region.

Vaca Muerta railway

Argentina intends to repair a railway and lay new tracks in Patagonia in a new effort to lower drilling and completion costs in the Vaca Muerta play.

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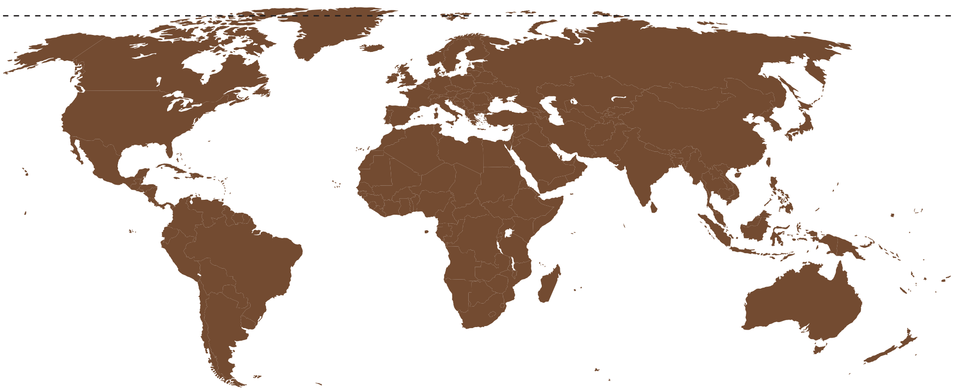
COMMENTARY

POLICY

SHALE GAS

TIGHT OIL

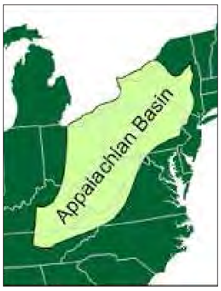
NEWS IN BRIEF



Have a question or comment? Contact the editor – Anna Kachkova (annak@newsbase.com)

Outlook strong for Utica, Point Pleasant

APPALACHIAN BASIN



ACTIVITY in the Utica and Point Pleasant formations is on the rise, with drilling permits edging up and new infrastructure that will significantly ramp up capacity at various stages of approval.

According to recent data from the Ohio Department of Natural Resources (DNR), the total number of drilling permits in the region stands at 2,311, an increase of 182 since January. Meanwhile, the number of active rigs in the state has recently risen to 21 from 16 as drillers have stepped up operations.

This has been driven by improvements in technology that have drastically cut costs, as well as the prospect of new pipelines increasing access to markets such as the New England and Mid-Atlantic states, the Canadian corridor, the Midwest and the Southeast along the US Atlantic Coast.

The US Energy Information Administration (EIA) has said that collectively new infrastructure projects could add up to 6.8 bcf (192.6 mcm) per day of takeaway capacity out of the Utica region by the end of 2018.

"Because pipeline projects often have longer lead times than production projects, transport infrastructure for accessing natural gas demand centres and export locations in the Appalachian Basin has not kept pace with production capability," the EIA said. "This situation has resulted in a lower price for natural gas from the Appalachian region relative to many other natural gas trading hubs in the US."

The pipelines in question include Rover, which will transport 3.25 bcf (92.0 mcm) per day from the Marcellus and Utica shale areas to various market hubs, the 1.5 bcf (42.5 mcm) per day Leach Xpress facility, the 600 mmcf (17.0 mcm) per day Gulf Coast focused-Rayne Xpress, and the 1.5 bcf per day Nexus Gas Transmission project. The latter will deliver gas to markets in northern Ohio, southeastern Michigan, the Chicago Hub in Illinois, and the Dawn Hub in Ontario, Canada.❖

Petrochemical markets' support for shale production in the spotlight

US

LOCAL petrochemical markets are essential in supporting shale production, Hill International's vice president, Robert McDonough, told *NewsBase* recently. "The strength of shale really lies in the proximity to the user markets," the executive said, noting the proximity of the Permian and Eagle Ford markets to the industrialised regions from Corpus Christi to Mobile, Alabama. "The key benefits are in terms of ethane and propane, with the former allowing security of supply in producing ethylene, and therefore plastics."

In addition to the petrochemicals boom, power demand has also benefited. Locally, in the US, gas is putting pressure on environmentally unfashionable coal. Additionally, the gas glut is driving exports into Mexico and Canada and also providing support for LNG exports for further afield. "The environment for building pipelines into Mexico is becoming more investment friendly, principally for power. Ultimately, this could raise domestic prices but the industry has not begun to tap anywhere near the total available resource."

"OPEC has tried to keep prices low while keeping production up in a bid to put the boot into small US companies, which to a large extent they did. What [the producer group] did not take into account was the efficiency response. US shale oil is now producing below global breakevens, at a level of around US$45-50 per barrel. IT costs about half as much to install a well pad as it did two years ago," McDonough said.

Thus operator bankruptcies have not slowed production, as might have been expected, and any price increases have quickly run out of speed, with prices remaining below the levels needed to provide investments in non-US shale destinations such as the Gulf of Mexico, Brazil and Norway.

"The worst fear is that end product and polymer markets become glutted," McDonough said, although predicting that oil prices were unlikely to change substantially. "There is, though, a need to continue working on the environmental side, particularly in terms of handling wastewater."❖