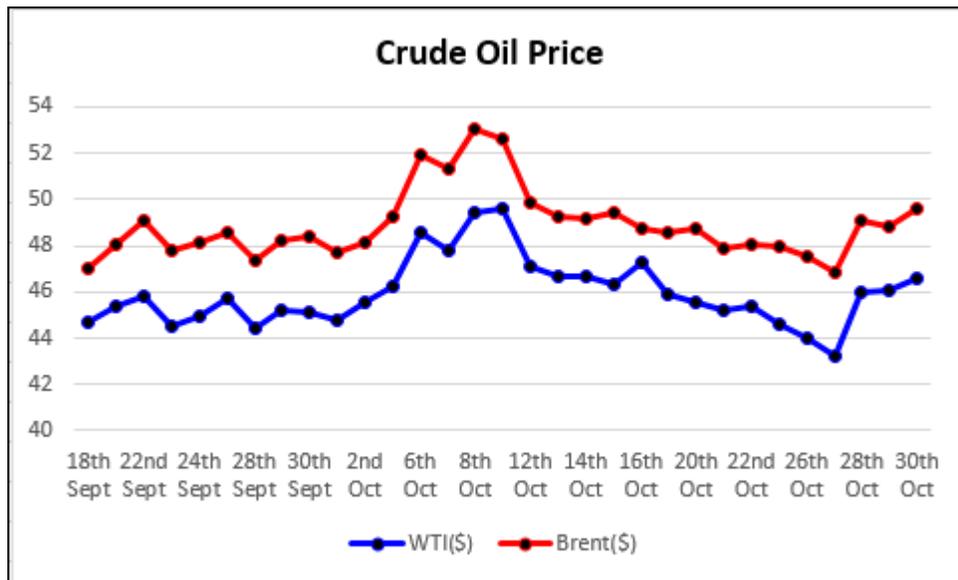


## Post 31<sup>st</sup> October, 2015

The crude oil prices fluctuated this week as seen on the graphics below. The price suddenly rose on Wednesday in reaction to the news about the US allowing limited sales of its light crude oil to Mexico in exchange for imported Mexican heavy oil. The light, high-quality shale oil will benefit Mexico's aging refineries, which will now be able to produce more premium quality fuels. The US refineries will receive the heavy crude that they are suited for refining. The license is good for one year. Back in January 2015, Pemex, the Mexican state oil company had announced that it was seeking an exchange of 100,000 barrels per day which is roughly 1% of the current US production.



In the last several months we have been talking about the shale boom in the US, OPEC's resolve to stay its production on course, the less stable global economic activity and how it has led to an oversupply of crude and a lower demand, which in turn has resulted in low crude oil prices. It all started in November 2014. This is now apparent more than ever in the Q3 results being posted by oil and gas companies. There is lots of news this week about the 3<sup>rd</sup> quarter earnings figures as reported by the oil and gas companies.

**ConocoPhillips** reported a loss of \$1.07 b compared to \$2.7 b profit reported last year.

**Canadian Oil Sands Ltd.** also posted a loss of \$174 million for the 3<sup>rd</sup> quarter.

**Anadarko Petroleum Corp.** reported a net loss of \$2.235 b for Q3 in contrast to a profit of \$1 b a year ago.

**Marathon Oil Corp.** reported a Q3 earning of \$948 m but reduced its dividend by 76% so as to hold cash. Other companies are protecting their dividends by selling assets or curtailing drilling or other investments. These companies are BP, Statoil, ConocoPhillips and Occidental Petroleum Corp.

**Suncor** has posted a loss of \$376 m in Q3.

**Eni SpA**, Italy's largest oil producer reported a net loss of € 0.95 b, for Q3.

**BP** posted a profit of \$1.82 b, which is 40% lower than last year.

Frances' **Total SA** posted a profit of \$1.08 b, which is 69% lower than last year.

**Statoil ASA** reported a net loss of \$330 m in Q3, a net income fall of 59%.

**Shell** reported a Q3 net loss of \$7.42 b compared with a profit of \$4.46 b last year. This is largely due to its drilling withdrawal from Alaska and also halting its 80,000 b/d Camron Creek oil sands project in Alberta, Canada due to low oil prices.

**Husky Energy** posted a net loss of \$101 m in Q3. It also announced 1400 job cuts in 2015. Some have been cut and others will be completed in the next few months.

**Imperial Oil** posted a decline in its profit to \$479 m, which is 49% down from the same period last year. This is again due to the drop in crude oil prices.

**Exxon Mobil Corp.** posted its Q3 profit as \$4.2 b, which is a decline of 47% from last year.

**Chevron** posted Q3 earnings of \$2 b against \$5.6 b last year. It also announced job cuts up to 7000 employees or 10% of its workforce. This number includes reduction of 1500 employees announced earlier.

Amongst the service companies, **Schlumberger** reported a decline of 6% in Q3 revenue of \$8.47 b.

**Baker Hughes** reported a loss of \$159 m with a revenue of \$3.8 b for Q3.

**Halliburton** reported a Q3 revenue of \$5.6 b, which is 6% lower due to the reduced drilling demand in North America. The international markets helped Halliburton perform better than its competitors.

As a follow-up of all these reports, and the reduced spending announced by the companies, there were reports of more layoffs by some of them:

1. Cenovus has identified 700 positions to be reduced in by the end of 2015. The company paid a severance of \$3M in the 3<sup>rd</sup> quarter, which is expected to rise to \$32 M in the 4<sup>th</sup> quarter as the jobs are cut. These are almost double of what the company had announced in July. The company expects more job cuts next year amid the weak crude oil prices.
2. Devon Energy has reduced its Canadian workforce by 15% as announced on Wednesday (28<sup>th</sup> Oct). 200 employees in different areas of the Canadian Operations have been let go. This has been done so as to lower capital spending by the company.

3. Maersk Oil, the Danish oil company, announced that it will cut 1250 jobs before the end of 2015, reducing its work force by 10-12% due to the low oil prices.

Besides this, the average prices of natural gas in the US is at its lowest in 15 years. With the forecast of a warm winter this year, and its ample availability from shale basins, the price of gas might tumble further. Again not encouraging news!

So much of the dismal news, for the *lighter side* I have a couple of things to share with you.

On October 27<sup>th</sup> this week, around midnight many people in Calgary watched the **Hunter's Moon**. This term was new for me. So, I asked around, but finally googled it. I found that it is indeed the name given to the full moon in October. Back in the pre-industrialized days, the Native American tribes often used moon phases (check my facebook post on 'Supermoons' posted September 29, 2015) and cycles to follow or track the seasons and had assigned a unique name to the full moons that we see each month. For example in September, which is the harvest season for many food crops such as corn, rice, beans, etc., many farmers would work in the bright light of the September full moon, till late in the night. So the full moon closest to the autumnal equinox was named as the *Harvest Moon*.

Back in those days, hunting was a necessary way of life in the northern regions or cold places where winter temperatures could be harsh. People would need to prepare for the winter by stocking food items including meat that would come from hunting animals. After the harvesting was over in September, the fields would appear clear and the animals would not find any camouflage for hiding. Besides they would have become fat after feasting during the summer months. The hunters could easily spot their preys in the bright full moon light once again after the Harvest Moon, and so the October moon came to be known as the **Hunter's Moon**.

The Hunter's Moon is also regarded as special, as it comes just before the onset of winter and is considered a feast day in the Native American culture. As the lunar cycle spans 29 days, the exact dates for the full moon shift each year. Hunter's moon is an ordinary full moon, and may not be necessarily brighter and bigger. When seen just after sunset, it appears with an orange tinge, which is because we are looking through a greater column of the atmosphere.

Interesting. Isn't it?

If you are living in the northern hemisphere, and you missed out on noticing the recent Hunter's Moon glimpse, you can look for it again next year on 16<sup>th</sup> October, 2016.

*Have you ever wondered why the 'barrels per day' is abbreviated as bbl/d? Of course I have always written it as b/d, but then I have deliberately chosen to be different.*

The answer lies in history. Back in 1859 when oil was first discovered in Pennsylvania, 42 gallon barrels were the available containers being used for transporting soap, fish, etc. This was also the transportable granular loads that could be handled by the men, horses or carriages. But the 42 gallon measure was not strictly followed and the oil was being transported by the available

wooden barrels of all sizes. In 1872, the Petroleum, Producer's Association of the time adopted 42 gallons as a standard size of a barrel. This was followed by the Standard Oil Company manufacturing 42 gallon oil barrels that for some reason were painted blue. Thereafter, the oil barrels started getting referred to as 'blue barrels', and along with it came the acronym 'bbls'. We are still using that acronym.

Finally, I posted some pictures from my recent attendance at the SEG Convention at New Orleans. You can find it under 'Events'.

So much for this week!

Till the next post, stay safe and happy!