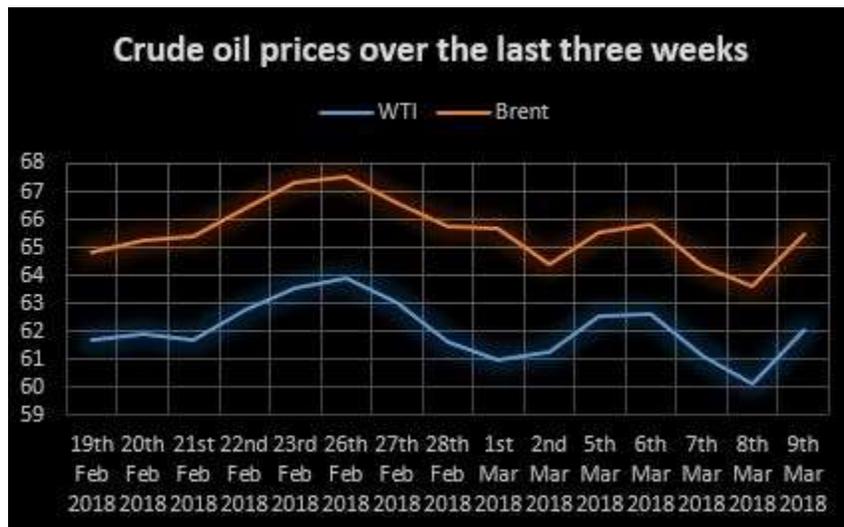
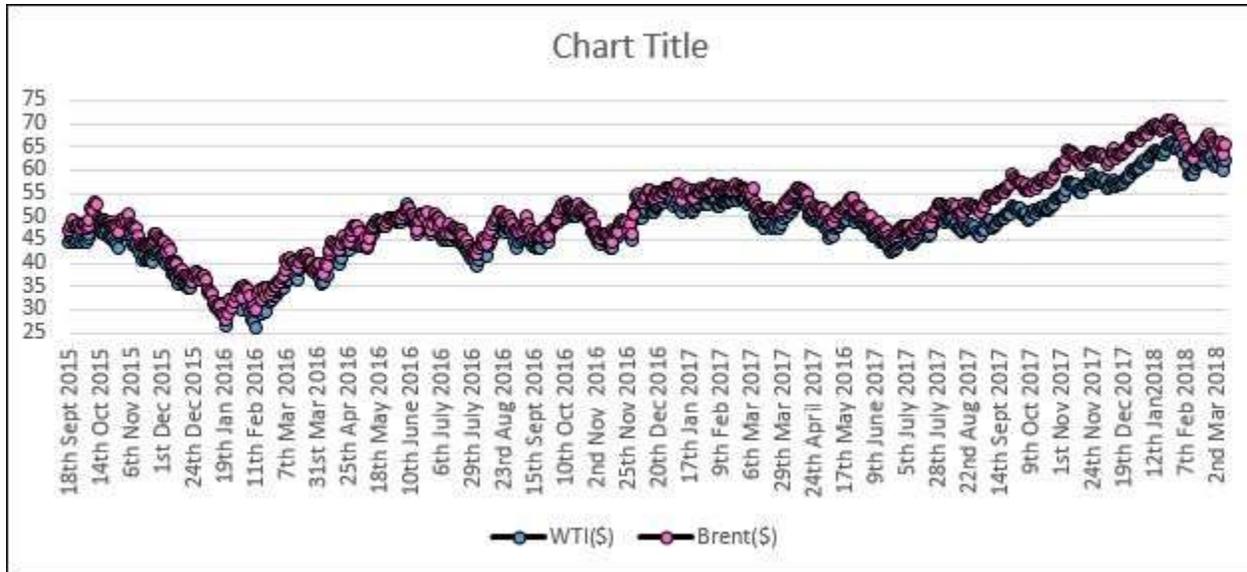


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- This week the price of the crude oil was influenced by an increase in the US stockpiles as well as the risk of President Trump’s global trade war. The US stockpiles rose by 5.7 mb last week as per the American Petroleum Institute, and investors are concerned that this could thwart the efforts by OPEC and its partners to drain global glut and maintain the price of the barrel. Earlier this week, President Trump had announced his decision to impose tariffs on imported steel (25%) and aluminium (10%), following which the White House economic advisor, Gary Cohen, who had lobbied against the tariffs, resigned from his position. The imposed tariffs will definitely affect the shale oil pipeline makers, who make use of imported steel. The enhanced tariffs will increase the price tags of the pipelines to be built, and such projects could be cancelled, or be killed altogether. Investors also fear that a global trade war could impact economic growth. Increased

tariffs will also add a significant burden on the energy industry in Canada and the US as the former is the top provider of steel and aluminium to the US, and the latter a major supplier of equipment to Canada's energy industry. Jobs will be lost on both sides of the border. President Trump had also been critical of China's trade practices during his presidential campaign, and a measure to that effect is also expected shortly.

- Last week, the rig count in the US had risen to 800, as per Baker Hughes data, of which 434 rigs alone have been operating in the Permian Basin of Texas and New Mexico alone. Recently, the American crude production jumped to 10 mb/d, and its oil exports have doubled in 2017, providing the drillers markets that were out of bounds till two years ago, as per the EIA.
- Devon Energy Corp. has decided to sell its southern portion of Barnett shale assets residing in Johnson county, for \$553 billion, a transaction that will be completed in the second quarter of 2018. With this, so far Devon has made asset sales worth \$1 billion, which are in line with its 2020 vision. The Devon board has also authorized a \$1 billion share-repurchase program, and a 33% increase in its quarterly cash dividend, in an effort to increase cash returns to its shareholders. These assets average 200 mcf of gas-equivalent per day. Besides this, Devon's Barnett shale assets are in Denton, Wise and Tarrant counties, wherefrom current production is about 680 mvf of gas-equivalent per day.
- As per the ExxonMobil Corp.'s CEO, Darren Woods, the price of the barrel has been seen rebounding in recent weeks due to a growth in the demand for crude. Per the IEA, this growth is what is absorbing the surging production in the Permian, and this is likely to continue till 2020. This leaves OPEC and its allies with a tough choice, and that is, either they stick to their production cuts, or they can risk losing their market share. If an end is put to the production cuts, the price of the barrel will fall.
- Back in November 2017, Norway's \$1 trillion wealth fund, built from the country's oil production of petroleum, had announced a proposal to dump oil and gas stocks. Earlier this week, Yngve Slynsstad, the man who heads the wealth fund, acknowledged that there is an energy transition happening, which will affect the consumption of oil and gas, and therefore the profitability of oil and gas companies. Consequently, the future of the business was 'up in the air', and that shedding the oil stocks would probably reduce risk for Norway.
- The IEA in its latest annual report on oil markets (15-year market analysis and forecast) has said that oil production growth from the US, Brazil, Canada and Norway will probably keep the world supplied, and meeting the global oil demand growth through 2020, but more investment will be required after that. In the short term, over the next 3 years, the US alone will cover 80% of the world's demand growth, with Brazil, Canada and Norway meeting the rest. After 2020, the oil industry has not only to recover from the drop in investment over 2015 and 2016, but for 2017 and 2018, the IEA sees very little to no investment in the upstream sector outside the US. The declining oilfields everywhere need new investments, as the world needs to replace 3 mb/d decline each year from them, and also meet demand growth.

- With its shale-oil production set to exceed 11 mb/d before 2023, the US is getting into a position of a major oil player in the global market, which may be the world's largest oil producer. The question that pops up then is, where does all this production go, as most of this oil is the light sweet or ultra-light crudes? Most US oil refineries are configured to process medium to heavy crudes. And large-scale investments will be required for the shale oil to enter the US domestic market. So, this light or extra-light crude will be exported, and thus we will see an increase there. These crudes are expected to first reach Europe, with added transportation cost, where they will have to fight African crudes for their sales, and thus sold at discounted prices, and thereafter reach Asia and the Far East, with even further costs and discounts. The US producers from Permian, will probably be more profitable than others as the quality of crude has a market for Europe and Asia, and there is a massive port infrastructure at Corpus Christi that can accommodate larger crude vessels.
- Speaking to a Manama, Bahrain audience recently, Ali al-Naimi, Saudi Arabia's former minister for Petroleum and mineral resources said, 'I would like to put everyone at ease, there are no such worries'. This was his response when asked if he sees a threat to oil demand from climate policies, and an increasing use of electrical vehicles. He said any slowdown in demand from transportation will be more than offset by growth in other industries. He also suggested that Saudi Arabia should focus on developing its deposits of minerals such as mica to help diversify its economy. Solar energy is also an important resource along with oil and gas, he said.
- The oil sands production in Alberta, Canada has increased in recent years, while some new proposed pipelines have been cancelled. Due to lack of shipping options, the Canadian crude has backed up, and in turn led to discounts to American oil to maximum in four years. The CEO of Calgary-based company, Cenovus, said recently that his company is talking with Canadian rail companies about moving more crude by rail, which is possible as early as mid-2018.

So much for the industry news this week.

On the lighter side

If you are attending a meeting, and it goes on and on, you tend to lose interest in what is being discussed or disseminated, irrespective of how versatile or eloquent the organizer is. Similarly, the lectures given by teachers in their classrooms are restricted to shorter intervals, interspersed with breaks. For the same reason, Pastors keep their sermons short, anywhere from 25 to 45 minutes.

The human brain concentration span is about 45 minutes, after which it starts getting saturated, and decreases its capacity to absorb anything. Thus, having frequent breaks is a good idea to shift your brain's attention to something different. An article describing this I had read long back, and a quick google search got me to the following link. You might want to check it out.

https://www.huffingtonpost.com/gabrielle-bernstein/michael-eisen-youth-wellness-network_b_1076416.html

In line with these observations, there is also the adage attributed to P. Dan Wiwchar that says, '***the mind can only absorb what the ass can endure***'. There is truth in this statement, because when your bottom starts hurting, you get distracted, and are no longer able to focus on what is being discussed.

This also reminds me about a study that was reported some years ago, probably in Sweden, that linked long working hours with the risk of a stroke. In a bid to increase productivity and make people happier, Sweden followed up by a 2-year experimenting period with a six-hour working day for the same wages as an eight-hour day, in certain job areas including municipalities, hospitals, car centers, advertising, telecoms, consulting and technology firms.

Some feel that the cost outweighs benefits.

The experiment seems to be successful in certain ways in that workers felt happier, there were reduced sick days, workers had more energy, and were more productive. Thus six-day work pattern may be good for jobs where the individuals complete the work and shut themselves off completely when they go home. For those job areas where the borders between work and private life are blurred, the reduced work-day patterns may not pan out well. Some critics argue that if employees try and fit all the work they have been doing in 8 hours into 6 hours, it may enhance their stress levels, even though they might have more time to enjoy their private lives.

For some organizations that offer flexible work hours, this may not matter, as they need results, and employees must deliver them.

To stay focused on a specific work task is challenging, ...

The work day needs to be interspersed with pauses, some different flavor such as a client meeting, etc. or some such thing that breaks the 8-hour monotony and makes the work day more endurable.

The practical implementation of such reduced work day patterns may be hampered by one factor- the cost.

The employees cut out spending time on social media.

While this debate may continue, we can just be mindful of our work-private life balance, and do the best we can.

I hope you find this information interesting. So much for this post!

Till the next post, stay safe and happy!