

RESERVOIR SOLUTIONS

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“*Perfect Storm*” hits industry

With a one-two punch, the economic impact of the Covid-19 virus and an oil-price war walloped the upstream industry in March. OPEC and Russia failed to curb output, which bloated inventories. The spreading virus blunted appetites for oil and gas, creating out-of-balance supply-and-demand dynamics.

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Like Covid-19, plunging oil prices didn't discriminate. Values of future cash flows dragged down balance sheets of independents, IOCs and NOCs alike.

Prices nosedived to \$20 a barrel March 18 before increasing to \$24 a day later. The first of the year, the WTI oil price benchmark was \$61 a barrel.

U.S. not at a tipping point yet

“Cash flow for shale producers will be down in 2020 as crude oil falls, but few big energy companies have debt maturities coming due this year,” reported cable broadcaster *CNBC*.

Of the \$53 billion in speculative-grade debt maturities through 2024, less than \$2 billion will mature in 2020, the broadcaster reported.

U.S. producers urged the federal government to waive the Jones Act that mandates only American vessels transport goods among U.S. ports, reported *Bloomberg* news service. The U.S. government was considering a federal aid package for the shale industry involving low-interest loans, *Bloomberg* reported. Texas regulators discussed restricting oil production, reported the *Wall Street Journal*.

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"Perfect Storm" hits industry – Cont. from page 1

Worldwide markets

The world hunkered down in quarantines, as risks to human capital spiraled. One of the more interesting forecasts for not only oil demand, but for the proliferation of the virus, was the second edition of the "Covid-19 Report," published March 17 by Rystad Energy AS. It is posted at https://www.rystadenergy.com/globalassets/pdfs/covid-19-report-week-12_final-version.pdf.

The energy research company stepped outside its area of expertise to model the future spread of Covid-19 in several countries.

"Our advanced analytical tools have already been utilized to create a system dynamics model of global oil price fluctuations, and applying the same tools to the Covid-19 situation allows us to build a very sophisticated model of the virus spread," the report stated.

The takeaway was quarantine, quarantine, quarantine. Rystad studied the behavioral changes that follow quarantines, and forecast the trends making assumptions.

Rystad also forecast oil demand. On March 11 in its first edition, it expected global oil demand to fall by 500,000 B/D in 2020 vs 2019. Six days later, the firm stated the epidemic could collapse demand by more than 10 million B/D of oil by April, a staggering downward revision.

Forecasters worldwide in every market whiffed, as the unknown reared its ugly head each day.

Calgary reserves conference canceled due to Covid-19 virus

The sixth Ryder Scott Canada reserves conference, scheduled for May 28 in Calgary, has been canceled due to the Covid-19 pandemic. On March 17, Alberta declared a public health emergency, banning gatherings of groups of 50 or more.

Publisher's Statement

Reservoir Solutions newsletter is published quarterly by Ryder Scott Co. LP. Established in 1937, the reservoir evaluation consulting firm performs hundreds of oil and gas reserves studies a year. Ryder Scott multi-disciplinary studies incorporate geophysics, petrophysics, geology, petroleum engineering, reservoir simulation and economics. With 116 employees, including 76 engineers and geoscientists, Ryder Scott has the capability to complete the largest, most complex reservoir-evaluation projects in a timely manner.

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