Brent crude futures, the international benchmark for oil prices, were at .50 per barrel at 0215 GMT, up 4 cents from their last close. (Image: Reuters)

Oil prices were mixed on Monday, caught between the downward pull of rising Russian production and U.S. oil drilling activity at its highest since 2015, and upward pressure from strong demand, especially in Asia. However, analysts expect surging U.S. output to start offsetting efforts led by the Organization of the Petroleum Exporting Countries (OPEC) to withhold production, which have been in place since 2017 and in the first half of this year have pushed up prices significantly.

Brent crude futures, the international benchmark for oil prices, were at $76.50 per barrel at 0215 GMT, up 4 cents from their last close. But U.S. West Texas Intermediate (WTI) crude futures were down 8 cents at $65.66 a barrel. Prices were weighed down by another rise in the number of rigs drilling for new oil production in the United States, which crept up by one to reach its highest level since March, 2015 at 862, according to energy services firm Baker Hughes on Friday.

That implies that U.S. crude output, which is already at a record-high of 10.8 million barrels per day (bpd), will also rise further. “Non-OPEC supply is expected to rise sharply in 2019 led by US shale growth along with Russia, Brazil, Canada and Kazakhstan,” U.S. bank JPMorgan said in its quarterly outlook published on Friday, adding that it was bearish for the oil price outlook going into the second half of the year.

Going into next year, the bank said “oil fundamentals are expected to weaken in 2019 on the back of stronger than expected non-OPEC supply but also potential release of barrels from OPEC as the joint accord between OPEC and non-OPEC is unlikely to stay in place”. OPEC, together with some non-OPEC producers including Russia started withholding output in 2017 to end a global supply overhang and prop up prices.

OPEC and its partners are due to meet on June 22 at the cartel’s headquarters in Vienna, Austria, to discuss policy. Meanwhile, Russian news agency Interfax reported on Saturday that Russia’s oil production, the world’s biggest, had risen to 11.1 million bpd in early June, up from slightly below 11 million bpd in most of May and well above its target production of under 11 million bpd as part of the deal.

Beyond changes in the supply-side, strong demand has been supportive of oil prices. In top importer China, overseas crude purchases remain above 9 million bpd, despite a recent dip away from records. And in India, Asia’s no. 2 buyer, May fuel demand rose by 3.4 percent compared with the same month last year, data from the Petroleum Planning and Analysis Cell (PPAC) of the oil ministry showed on Monday.