

# [***-Rystad Energy - US shut-in oil comes back most curtailed output is set to return by the end of AugustAugust 14 2020***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:60M4-C0H1-F0K1-N2JW-00000-00&context=1516831)

ENP Newswire

August 17, 2020 Monday

Copyright 2020 Normans Media Limited All Rights Reserved



**Length:** 1012 words

**Body**

Most US onshore operators will restore nearly all shut-in oil volumes by the end of the third quarter, with only a handful maintaining some level of curtailment for the rest of the year, a Rystad ***Energy*** analysis of 25 public oil operators' second-quarter earnings statements shows.

Curtailments from the 25 companies peaked in May with a net 772,500 barrels per day (gross - including royalties to the government - 965,600 bpd) taken off the market. Total cuts decreased to a net 680,300 bpd in June. In July, only about 306,500 bpd in net volumes (383,100 bpd gross) remained curtailed. This number is expected to fall to a net 74,300 bpd (92,900 bpd gross) in August, with nearly all production set to be reactivated by September and just a small amount remaining offline.

Stay up to date and get immediate email notification when we publish COVID-19 related reports and press releases. Sign up here

The cuts monitored in the sample group were implemented mostly in April and May, and were entirely driven by economic and technical considerations, with operators shutting in lower margin wells while reducing flowback on others. A recovery in oil prices in the second half of May and a stronger overall market outlook prompted many producers to re-evaluate their shut-in plans.

As a result, the actual total cut in May for several operators was lower than earlier guided, and June curtailments decreased month-on-month. Nearly all operators said they did not face any issues in bringing volumes back online as per schedule, as they had already worked on issues such as maintaining reservoir pressure and well integrity even before they began moderating output or shutting in wells.

Learn more in Rystad ***Energy***'s ShaleWellCube.

EOG Resources highlighted that reactivation led to flush production before wells returned to standard profiles, which resulted in better-than-expected overall performance from these wells. Instances of flush production are already reflected in June well production data.

The 25 operators cut output by a net 228,700 bpd in April and further deepened those reductions by 543,800 bpd in May. This followed an unprecedented collapse in oil prices to negative territory on 20 April, and a sharp decline in demand with governments around the world mandating lockdowns to halt the spread of the Covid-19 pandemic.

When prices started to improve in June, only a few deepened their cuts, with some - including ConocoPhillips, Chevron and Noble ***Energy*** - sticking to their original plan, while many others started to restore volumes.

ConocoPhillips prefers voluntary curtailments over hedging as a tool in dealing with price volatility, allowing it to retain complete exposure to a recovering market. The operator takes decisions on curtailments month-by-month, but thus far plans to bring back full production by the end of 3Q20. Chevron's curtailed volumes are at the lower end of guidance, with production set to be restored in August as oil prices improve. Most of Noble ***Energy***'s cuts were back online by the end of July.

All other operators cumulatively restored 182,430 bpd in June, which, given the deeper cuts from three companies mentioned above, amounted to net gain of 92,180 bpd in overall production for June, thus erasing around 12% of the cuts made in May.

The pace of reactivation has accelerated since July. Our analysis shows that as much as 373,800 bpd of net production, or 48% of the cuts made in May, was restored in July, followed by an additional net volume of 232,200 bpd slated to be back in August. Only a handful of operators intend to wait until September to reactivate the last of their curtailed volumes.

One such player, EOG Resources, has elected to retain around 25,000 bpd of cuts until September, but the company noted curtailed volumes are being restored faster than originally anticipated. Nearly all reactivated wells have exhibited a degree of flush production, due to a buildup of bottom hole pressure, before returning to their previous profile - a well-understood trend that was initially expected by the producer. That surge helped EOG beat its second-quarter production guidance. Apart from EOG and ConocoPhillips, Oasis and Matador also expect to keep about 15% of curtailed production offline until September.

Although the vast majority of US operators intend to fully reactivate curtailments in 3Q20, a select few aim to keep a percentage of volumes offline for the time being.

Pioneer Natural Resources, which cut 7,000 bpd of production in 2Q20 from wells with higher operating costs, intends to only bring online about 1,000 bpd. The company said some volumes may never come back, and a lot will depend on the cash flow outlook of each well.

Apache, having curtailed 7,500 bpd in May, said it has the option to reactivate wells when it thinks the time is right but anticipates that about 4,500 bpd may not return to production in 2020. PDC ***Energy*** also plans to keep a small volume offline beyond the end of the third quarter - we estimate about 2,000 bpd out of the 24,000 bpd cut in May.

'No loss of production has been reported by any operator following the shut-ins and moderation of output, with most companies flagging a smooth return of operations, and in some cases posting a positive production impact from those reactivations,' says Rystad ***Energy***'s Vice President for North American Shale and Upstream, Veronika Akulinitseva.

Contact:

Tel: +47 24 00 42 00

About Rystad ***Energy***

Rystad ***Energy*** is an independent ***energy*** research and business intelligence company providing data, tools, analytics and consultancy services to the global ***energy*** industry. Our products and services cover ***energy*** fundamentals and the global and regional upstream, oilfield services and renewable ***energy*** industries, tailored to analysts, managers and executives alike. Rystad ***Energy***'s headquarters are located in Oslo, Norway with offices in London, New York, Houston, Aberdeen, Stavanger, Moscow, Rio de Janeiro, Singapore, Bangalore, Tokyo, Sydney and Dubai.

[Editorial queries for this story should be sent to [*newswire@enpublishing.co.uk*](mailto:newswire@enpublishing.co.uk) ]

**Load-Date:** August 17, 2020

**End of Document**