

# Upstream Expansion Fuels Optimism in the Oil & Gas Sector


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Turjya Saha March 28, 2024

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The year 2024 comes as a period of strong growth and significant opportunities in the ever-changing landscape of the oil and gas industry. WTI crude prices have risen above the \$80 mark owing to a combination of factors contributing to a tighter global supply. Geopolitical tensions in the Middle East and an escalating conflict between Russia and Ukraine after the Crocus City Hall terrorist attack have had a significant impact on this upward trend. The reduction in the number of rigs in the United States adds to the pressure on oil prices, creating a favorable environment for investors looking for profitable lucrative in the sector.

## Upstream Operations Poised for Expansion

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With oil prices steadily rising, upstream operations stand to benefit greatly. Companies in this sector are preparing to capitalize on the current market conditions by increasing investments in exploration and production activities. The projected increase in upstream oil and gas spending in 2024 reflects the growing confidence about the industry's future trajectory. This increased confidence is not purely speculative but instead based on a practical assessment of the world's rising energy demand.

## Cautious Optimism in Spending Trends

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According to J.P. Morgan Commodity Research, global upstream oil and gas project spending will increase gradually but significantly in 2024. This anticipated increase of \$555 billion in 2024, up from \$550 billion in 2023, reflects the industry's strategic shift toward improved operational efficiency. While this figure represents a modest increase over the previous year's spending, it indicates a significant recovery from the lows experienced in 2020.

## Efficiency Dividend and Production Growth

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One of the remarkable narratives that characterizes the current oil and gas landscape is the pursuit of efficiency amid economic fluctuations. Despite a 20% reduction in annual capital expenditures over the last decade, upstream companies have maintained impressive production growth rates. According to the U.S. Energy Information Administration (EIA), U.S. crude oil production maintained its lead in global oil production for the sixth consecutive year, reaching a record-breaking average of 12.9 million barrels per day. This efficiency dividend not only strengthens their resilience but also bodes well for the future, with analysts forecasting record-breaking oil production in 2024. The upside in deepwater exploration activity strengthens this optimistic outlook.

## Investor Confidence Fuels Promising Opportunities

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The tangible optimism in the oil and gas industry is reflected in the surge in investor confidence. Several key players within the industry are gathering attention as promising candidates for investment portfolios.

**Exxon Mobil Corporation** ([XOM](#) - [Free Report](#)) : ExxonMobil boasts a proven track record of profitability and a strong balance sheet. The company is also investing heavily in new exploration and production opportunities, ensuring a steady stream of future revenues. The Zacks Rank #3 (Hold) expects its total annual capital expenditure and exploration costs to range between \$23 billion and \$25 billion in 2024, with consistent projections of \$22-\$27 billion annually from 2025 to 2027. This commitment toward steady investment indicates a long-term bullish outlook from Exxon Mobil's leadership. XOM's shares have increased 12.7% in the past three months compared with the Zacks Oil-Energy sector's 5.8% rise.

**Chevron Corporation (CVX - [Free Report](#))** : Similar to XOM, Chevron is a financially-sound company with a global footprint. Chevron is positioned for significant production growth in 2024. The company's acquisition of PDC Energy and its continued strength in the Permian Basin are expected to boost output by 4-7% year over year. This translates to even more oil flowing into Chevron's reserves. CVX Plans a strategic 14% increase in capital expenditures for 2024, reaching \$16 billion. The company is also committed to boosting shareholders' value. You can see [the complete list of today's Zacks #1 Rank \(Strong Buy\) stocks here](#).

**TotalEnergies SE (TTE - [Free Report](#))** : TTE stands out with impressive production growth fueled by its focus on fast-growing hydrocarbon regions like South America and Africa and its use of modern drilling technology. TTE benefits from solid production from new startups like the Mero field in Brazil. The company's commitment to innovation and lowering breakeven costs is also aiding profitability. In 2024, TTE plans to increase its capital expenditure to \$5 billion compared with the previously-reserved \$4 billion. This investment is part of the total capex range of \$16-\$18 billion for the year. With global oil and gas spending expected to rise in 2024, TTE is capitalizing on the opportunity by increasing capital expenditure, demonstrating its confidence in future growth and profitability.

## **The Long-Term Outlook: Navigating Industry Evolution**

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The oil and gas sector is constantly growing, and the long-term outlook remains a subject of debate. The rise of renewable energy sources and growing environmental concerns will undoubtedly play a role in shaping the future of the industry. However, oil and gas are expected to remain a critical part of the global energy mix for the foreseeable future, particularly in developing economies.

In conclusion, the oil and gas sector presents a positive outlook for 2024. Continued investment in production growth, coupled with industry efficiency improvements, suggests the potential for strong returns.