



- Recent reports from the US EIA, EIA and OPEC have all reduced their estimates for the world crude oil demand for 2019. In view of the burgeoning US shale oil production, OPEC+ agreement on production cuts was put in place in December 2018, with production cuts taking effect from Jan 2019 onwards. Saudi Arabia started its share of production cuts in December itself, and in January reduced its production to 10.213 mb/d in the face of its target of 10.3 mb/d. In February, the Saudi production may even get slashed to 9.8 mb/d, as per a recent comment. Russia on the other hand had a target of 230,000 b/d

cut, to be smoothly implemented in the first quarter of 2019, with January's output to be reduced by 50,000 to 60,000 b/d below the October 2018 baseline. The actual production cut in January was just 42,000 b/d. As per the Russian Energy Minister, the implementation of production cuts will be accelerated in February.

- Venezuela's crude exports have fallen since President Trump's sanctions against the country were imposed. Shipments fell to 1.2 mb/d in the first half of this month. No vessels have left Venezuela for the US, as the state-owned PDVSA demands upfront payment for the cargoes. But India has become the number one buyer of Venezuelan crude in the first half of February. Imports of Venezuelan crude by China have fallen by 50% to 120,000 b/d. China is struggling to recover at least \$50 billion it loaned to Venezuela over the past 12 years.
- An oil discovery in northwest China could trigger a surge in shale drilling there. PetroChina has achieved a daily output of 733 barrels of oil in a test well in Xinjiang province, suggesting a strong commercial potential for the first time in the country.
- Even though most of the US independent producers in the country have reduced their budgets for 2019, but they expect to deliver double-digit growth in production this year. US is expected to add 1.45 mb/d on average to its production, per EIA. The US production in 2019 is likely to reach 12.4 mb/d, which is 13% higher than in 2018. Most of this growth will come from the Permian Basin.
- Earlier this month, Brazil's giant P-67 floating platform has marked the beginning of the country's supply boom. This platform is the first of the four similar platforms that are expected to begin production this year, and will lift Brazil's production by roughly 365,000 b/d. A second platform P-76 has also started production. Overall Brazil produces 2.7 mb/d in December 2018. The medium-heavy crude pumped from Brazil's presalt fields in the Atlantic Ocean is fetching a dearer price in view of the production cuts in OPEC and Canada, coupled with US sanction on Venezuela.
- Concho Resources is a big player in the Permian Basin, with a market value of \$23 billion, and ahead of Hess and Continental Resources. Concho acquired RPS Permian last year for \$7.6 billion and as per some energy analysts may have become too big a company to sell. But the company CEO feels that they had sought to create a business model that didn't exist before. In the face of sliding oil prices in Q4, 2018, the company has also been in a consolidation mode. Royal Dutch Shell has also been looking to increase its footprint in the Permian Basin by a possible takeover of some smaller, but effective player.

- The oil producers in Alberta have been hurt by pipeline shortages to ship their crude to refiners in the US Gulf Coast. Now Alberta Premier, Rachel Notley, is preparing for a massive crude-by-rail operation and has reached a deal with the railway entities that entails leasing 4,400 rail cars over 3 years. The goal is to add 120,000 b/d of crude-by-rail capacity and reduce the discount on Canadian crude oil by \$4 over the next two years. The pipeline crunch has weighed in on prices and has reduced the overall revenue generation for the province. The whole operation is likely to bring a profit of \$1.7 billion on an investment of \$2.8 billion. The service will begin in July and reach its full capacity of 120,000 b/d by mid-2020.

So much for the industry news this week.

For the lighter side this week

At lunch, I have seen some people not drinking water with or after the food they are eating. At times I have wondered why, as since my childhood, I have always had water after lunch or dinner. Another twist to drinking water is what I read about recently, that we should never drink water in a standing posture, and that it should be had slowly, in sips. Here is what I was able to find.

A simple argument put forth is there are digestive enzymes and acids (hydrochloric) in our stomachs. By drinking water before or after a meal, we dilute them. The effect of this dilution is that the food we consume is not properly digested, in turn leading to excess acid and gas in the stomach, causing problems such as gastritis, acidity and others. What is recommended is drinking water an hour prior or after 1.5 or 2 hours after a meal.

According to Ayurveda (traditional Hindu system of medicine), while standing the human nerves are in a somewhat tense state, which triggers the 'fighting' system in the body. The body perceives whatever act is being done, to be done in a hurry. In a sitting posture, the 'sympathetic' system of the body is at play, and sipping water has a calming effect as it gets dispersed in our body.

The other argument given is that when water is gulped down while standing, it splashes into our stomach due to gravity, sucking more air inside. When this is done day in and day out, our inner system does take some bashing in terms of disturbance of the mucous lining inside the stomach and close by organs, leading to digestive or kidney problems.

We all do realize that drinking water is very important though. A glass or two of water the first thing on waking up in the morning is a good idea. At intervals, drinking water keeps the body hydrated, helps improve blood circulation, and flushes out waste. Whatever may be the real reason for the observation, or myth under discussion, I believe there may be merit in not gulping but sipping water. Besides, maintaining a gap after a meal and then drinking water does make sense to me. As for the second part, about drinking water while sitting and sipping it, the jury may still be out there.

So much for this week! Till the next post, stay safe and happy!

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