

Last June, BP Plc outlined in its 2017 Energy Outlook that global consumption of energy is expected to increase by 30 percent through 2035, driven primarily by growth in emerging economies, especially China and India.

Platts also sees growth in Indian gas consumption, but maintains that Indian LNG imports should rise by 10 percent annually over the next few years, surpassing 30 million mt/year by 2020, versus 19 million mt/year in 2016.

Knowing the importance of natural gas and low prices due to oversupply, India also announced its intentions to soon build a natural gas trading platform. Such an action could lead to market-determined pricing of gas for domestic and imported supplies.

The introduction of a natural gas trading platform was recently announced by India's Oil Minister Dharmendra Pradhan, at India Energy Forum by CERAWEEK, organized in New Delhi from October 8-10, 2017.

Today, the world average for gas consumption is 24 percent, while in India it is 6-7 percent. However, gas demand in both of the largest Asian countries (China and India) has potential for much higher growth.

Having a population of over 1.3 billion people with more than 82 percent of its crude imported, India's natural gas consumption may see new records in the next few years. Global gas exporting nations like, U.S., Australia and Middle Eastern are not in a position to ignore this potential buyer.

Since domestic gas production is limited, India is already the world's fourth-largest importer of LNG, behind Japan, South Korea, and China. But trends suggest that demand for imported LNG would surge threefold in the coming years.

Due to the global LNG oversupply, Wood Mackenzie forecasts Asia spot LNG prices to drop to below \$5/mmbtu by 2019

and remain in that range till 2022. Wood Mackenzie feels that this will be an attractive price range for Indian LNG buyers.

Other energy hungry nations in the South Asia region are Pakistan and Bangladesh. Platts published some analysis on these countries.

According to figures provided by Platts, Pakistan's current gas consumption oscillates between 6.2 Bcf/d in the summer season and 6.8 Bcf/d in winter.

Zeeshan Afzal, head of research with Karachi-based Insight Securities, was quoted by Platts as saying that LNG was initially seen as a short-term solution, but it looks like Pakistan would keep importing 3-4 Bcf/d or more in the long term, given rising domestic demand and difficulties to start exploration activities in the more unstable areas.

Reports also suggest that Bangladesh's imports of LNG are expected to reach 5 million tonnes in 2020. 

OILMAN COLUMN

3 WAYS TO SELL YOUR OIL & GAS ASSETS QUICKLY

BY JOSH ROBBINS

It's a new year, and the oil and gas market is hungry for assets. There are companies all over the map looking for good quality assets, but the transactions are not happening. We have noticed a considerable amount of deal flow in the past few months, as seller's have seen this period as a market shift in their favor. So, with a number of deals available, willing sellers, and active buyers, why are there not more transactions?

Beachwood has seen a number of transactions in 2017, and it's because we've seen companies that are looking to sell follow a few crucial steps.

#1 Don't put your deal to auction

If you are a buyer in this market, you are running the exact same economic model as every other company in the auction. So, if you are a seller, you can expect 30 or so bids on your assets that are only a few dollars from one another. More than likely it is based on PV10 (or close) and offers no value on the

upside you see for your asset. This should be a last resort for operators and owners that are looking to get PV10 on assets with positive cash flow, and slightly higher than zero for assets in the red.

#2 Make sure you give data

Companies that are looking to buy your assets want to know what you know. If you know that production is down because of a land issue or a new pumper, that information is very valuable to a buyer. Big data is everywhere. Most of your production, decline curves, reservoir information and estimated expenses are available or easily accessible. The upside storyline of each asset is what will bring additional value to your sell price. Buyers want to know as much information as possible. Don't view this as a waste of time, understand that this data will (in many cases) increase the chances of closing quickly.

#3 Know the market value

With that being said, you as a seller need to

know the market value. We all want to live in 2013. It was fun. But the reality is that asset is worth half of what it was in 2013, and the decline curve has continued to move 5 years down the line. Knowing the estimated value of your assets gives you great leverage toward a quick close.

As I say in every article I publish, every deal is different. Our strategy is generalized and can be used as discussion points for your A&D team, or your contract divestiture organization. The team at Beachwood is always available to discuss your company specific questions, just give us a call: (405) 463-3214. 



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