When Mark Zuckerberg Said Privacy, He Didn't Mean Privacy From Facebook

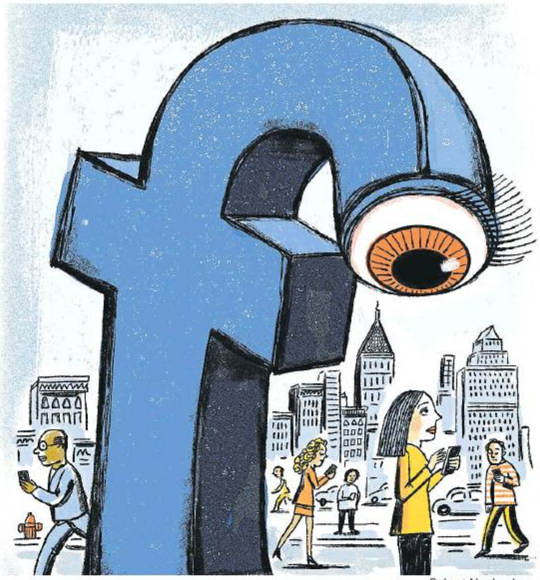
THE CEO'S PRIVACY MANIFESTO IS A ROAD MAP FOR GETTING THE COMPANY'S SERVICES MORE EMBEDDED IN OUR DAILY LIVES SO IT CAN GATHER DATA IN NEW AND CREATIVE WAYS

Mark Zuckerberg has outlined a new vision for Facebook Inc. that he says is focused on privacy. It is a major shift in direction, but it doesn't mean what you think it means.

What the Facebook chief executive's manifesto really promises is a more tightly integrated version of Facebook's various apps and services, cloaked in the raiments of privacy but, in fact, continuing to operate in contradiction to it. Facebook would still gather data from its existing sources—the core social network, its Instagram app, an web-wide tracking system and countless apps that sometimes send the company deeply personal information—but also increasingly from messaging apps. These would double as interfaces with businesses and, eventually, usurp the functions of our credit cards and digital wallets. (He mentioned "payments" in his note four times.)

Mr. Zuckerberg understood long before most of us did that the public sharing that made his business so successful was a fad. The price he paid for WhatsApp—$22 billion—seemed like a multiple-zero typo, but now it is considered a prescient investment.

Recent data from Edison Research suggest Facebook's primary social network has lost an estimated 15 million users since 2017 in the U.S. alone. Most of those are in the coveted 12-to-34-year-old demographic. Yet Facebook's most recent quarterly report shows a company at the apex of its power, earning record profits and growing its overall user base as people shift to Instagram and WhatsApp. It's clear Facebook must follow its users to the services they are turning to as alternatives to its flagship, and there can be no doubt that internal numbers, some of which Mr. Zuckerberg referenced, show people devoting more time to messaging, small groups and ephemeral posts like Instagram stories.



Robert Neubecker

WhatsApp was Facebook's quick access into a world that has two dominant players occupying very different spheres: Tencent 's WeChat and Apple 's iMessage. WeChat has become a de facto operating system for life in China. While it doesn't have the encryption features that Mr. Zuckerberg described, it has all of the revenue-generating services that he covets.

Apple's messaging app truly is an app, with its own end-to-end encryption and a growing roster of built-in services, from payments to stickers. Because it's the default way to send messages on the iPhone, it has devoted users who seem to have no qualms about their time inside Apple's walled garden.

The animus between Apple CEO Tim Cook and Mr. Zuckerberg is no secret. Mr. Cook has often called out Facebook for its privacy scandals, and cast Apple as a privacy-protecting alternative. Belatedly, Mr. Zuckerberg seems to have realized that the reputational damage of the Cambridge Analytica data breach and a half-dozen scandals since could affect his company's bottom line.

The data-hungry advertising business that Facebook has built up over the years will have to adapt to this new direction, but continuing to divine our intents probably won't be as great a challenge as it might seem. The company doesn't need to know what we're messaging each other. Mr. Zucker-

CHEVRON TO DOUBLE PRODUCTION IN PERMIAN BASIN IN NEXT FIVE YEARS; EXXON TO BOOST PERMIAN OUTPUT TO ONE MILLION BARRELS A DAY BY AS EARLY AS 2024

Chevron, Exxon Mobil Tighten Their Grip on Fracking

Chevron Corp. and Exxon Mobil Corp. plan to significantly ramp up production in the oil field at the heart of the American fracking boom, the latest sign that the next era of shale drilling is likely to be led by the major oil companies.

In the next five years, Chevron expects to more than double its production in the Permian Basin in Texas and New Mexico to 900,000 barrels of oil and gas a day, the company said at an investor event Tuesday. That is a nearly 40% rise from its previous forecast.

"The shale game has become a scale game," Chevron Chief Executive Mike Wirth said in an interview. "The race doesn't go to the one who gets out of the starting blocks the fastest. The race goes to the one who steadily builds the strongest machine."

Not to be outdone, Exxon on Tuesday announced plans to increase its Permian output to one million barrels of oil and gas a day by as early as 2024, a day before its own investor meeting Wednesday. BP PLC, Royal Dutch Shell PLC and Occidental Petroleum Corp. are also focusing on the region.

"We're increasingly confident about our Permian growth strategy due to our unique development plans," Neil Chapman, Exxon's senior vice president, said in a written statement.

Big Oil's growing ambitions for the Permian follow a long-established pattern in the oil patch: Wildcatters and small exploration companies find ways to tap new reservoirs, then the big companies move in.

Five years ago, Exxon, Chevron, BP, Shell and Occidental collectively made up about 9% of crude production from modern fracking techniques in the Permian. In October, the latest period for which relevant figures are available, they made up about 16%, according to data on ShaleProfile, an industry analytics platform.

Those numbers are likely to grow significantly in the coming years and it wouldn't be a surprise for the big five to produce far more of the booming area's crude within a decade, said Ed Hirs, who teaches energy economics at the University of Houston.

"It's going to be extremely difficult for smaller companies to compete with the oil giants," Mr. Hirs said.

As the energy giants continue their shale expansion, many have gained favor with investors. Chevron is up 14% in the past year even as crude prices have fallen, and all the biggest oil companies have outperformed the S&P 500.

Chevron, which has the lowest debt relative to its size compared with any of its peers, said it can pay for its new spending and dividends at a price of about $51 a barrel. The company said that is the lowest among the big oil companies, citing data from analytics firm Wood Mackenzie.

In coming years, Chevron plans to avoid major spending increases even if prices rise, executives said. It said it would hold annual spending this year and next year between $18 billion and $20 billion, and allow it to grow slightly from 2021 to 2023 to a range of $19 billion to $22 billion.

Many of the smaller companies that pioneered new technology to help make the U.S. the world's top crude producer have begun to struggle as they attempt to rein in spending and move closer to a goal that has so far largely eluded them: profitability.

Dozens of companies including Continental Resources Inc. and Pioneer Natural Resources Co. have reduced spending plans in response to investor pressure. Collectively, spending among the smaller companies is set to fall 11% this year, according to Citigroup .

Many smaller oil firms face the challenge of having to drill more to keep production rising, because shale wells produce a lot in the beginning but then taper off quickly.

The spending cuts, coupled with some companies having tapped a large proportion of their best wells, mean that returns from shale drilling might have already peaked as wells increasingly are less productive, according to Evercore ISI.

Meanwhile, the big companies are just getting started. The land positions of Chevron and Exxon are larger in size than Rhode Island or Yosemite National Park, providing them with plenty of new drilling locations for years. But while they have been able to grow at rapidly, the assets have yet to produce significant profits or cash flow.

Chevron has said its Permian business will generate free cash flow by 2020.

Exxon's U.S. drilling and production business, which includes its Permian operation, has managed to generate profit in the past year, but it is much lower than for the company's similar non-U.S. operations. Some analysts have questioned whether too much growth in the Permian would lead the companies to be exposed to too much risk in one area.

Exxon is the largest operator in the Permian, with almost 50 rigs. It estimates its Permian wells can generate a 10% rate of return at an oil price of $35 a barrel. While many companies reduced fracking activity in the fourth quarter of last year, Exxon boosted it to over 80 wells, more than double the total in the fourth quarter of 2017, according to Rystad Energy.

Chevron is raising its production guidance to 900,000 barrels of oil and gas a day by 2023. Last year, it predicted 650,000 barrels a day by 2023. It is boosting production without adding to its rig count, a testament to how size can lead to greater efficiencies.

Chevron employed what could be described as a tortoise-and-hare strategy in the Permian. While smaller firms at times paid more than $40,000 an acre to gain rights to prime drilling opportunities, Chevron held on to land it already owned in the region, which decades ago was one of the world's biggest traditional oil fields, without having to join in the buying frenzy.

The company doesn't have to pay royalties on about 80% of berg says Facebook doesn't use message content to target ads, just as Google doesn't scan the contents of Gmail messages to serve ads.

Facebook will be able to target us with uncanny precision even without access to our messages.

In his manifesto, Mr. Zuckerberg wrote, "It also makes sense to limit the amount of time we store messaging metadata. An important part of the solution is to collect less personal data in the first place." These are moves in the right direction, but they amount to streamlining the data operation, not extinguishing it. It's clear his company intends to continue to advertise to us, even on its encrypted platforms.

Mr. Zuckerberg said as much in at least one of his post-manifesto interviews, with Wired's Nicholas Thompson. Knowing where we are, who and what we connect to and when we do it wouldn't fall under Facebook's proposed broader encryption. That metadata is more than enough to characterize us to a breathtaking degree, say academics and engineers who practice "social physics" and "people analytics."

Mr. Zuckerberg said he has no plans to eliminate or even change Facebook's News Feed or stories in Instagram, Facebook's groups or any other part of what he calls Facebook's public square. He's effectively taking all that is already problematic about Facebook and growing the messaging layer, using the privacy angle as a selling point for his expanded platform. He did, however, note that "significant thought needs to go into all of the services we build on top of that [privacy] foundation."

That Facebook wants to make it possible for dissidents to use its services to communicate securely is admirable, but must be weighed against the fact that this will put even more of the communications on Facebook beyond the reach of the company's own content filters. Pivoting to privacy is a neat judo move for Facebook, as the company's former chief security officer Alex Stamos observed on Twitter. It allows the company to absolve itself of responsibility for the content that passes through its systems, while also allowing it to claim a victory for individual freedom.

Nothing in Mr. Zuckerberg's manifesto or subsequent statements question the fundamental premise of Facebook's business, which is gathering more data about us in order to reach us with more-targeted and effective advertising.

Facebook is rushing to meet users where they want to be—communicating individually and in small groups—without altering the trade-off the company has always offered: our privacy for its services.

BY CHRISTOPHER MIMS

Photo: Daniel Acker/Bloomberg News

Chevron is expanding in the Permian Basin, raising its production guidance to 900,000 barrels of oil and gas a day by 2023.

its Permian holdings, giving it an advantage over rivals who must offer 20% to 25% of the revenue from oil and gas production to royalty owners.

Chevron's land is recognized as having unrivaled value. Its shale portfolio, which includes its Permian holdings, is worth more than $70 billion, the largest of any operator, according to Rystad Energy. Chevron says the value has doubled in the past two years.

For years, Chevron allowed other companies to drill on its land, gathering data and using it to decide on best practices. The company built a database of more than 25,000 wells to study the best techniques for drilling.

That helped it avoid downspacing, a practice in which companies drill wells in close proximity and that has been linked to reductions in productivity per well, Mr. Wirth said.

Because of its size, Chevron has the ability to obtain commitments for pipeline space, drill longer horizontal wells across its huge swaths of land in the Permian, and keep a lid on labor and other materials costs. The company can also apply new technology and use techniques mastered in the Permian on land in Canada, Argentina and Pennsylvania, he said.

"At times, we were criticized for not going faster," Mr. Wirth said. "We were steadily building up the knowledge to do this well, not to do it fast."

BY BRADLEY OLSON

MARY ANASTASIA O'GRADY

MARY ANASTASIA O'GRADY WRITES "THE AMERICAS," A WEEKLY COLUMN ON POLITICS, ECONOMICS AND BUSINESS IN LATIN AMERICA AND CANADA THAT APPEARS EVERY MONDAY IN THE JOURNAL.

A One-Sided Treaty With Colombia

The State Department's determination to extradite Andrés Felipe Arias, a former Colombian agriculture minister, at the behest of a left-wing Colombian Supreme Court, marks a new low for Foggy Bottom. Evidence in the case exposes the U.S. government's single-minded but self-defeating drug-war agenda that treats Mr. Arias as collateral damage.

In the U.S., extradition requests are taken to federal court, which has jurisdiction only if a valid extradition treaty exists. For more than 30 years Colombia has said there is no such treaty with the U.S. and it has been unable legally to invoke any treaty to fulfill Washington's extradition requests.

Yet the U.S. is eager to extradite Mr. Arias, seemingly as a good-faith gesture in exchange for Colombian capos to be named later. So the Justice Department, which is arguing the case for Colombia, recruited the State Department to tell the judge in 2016 that there is an extradition treaty with Colombia. Courts often defer to the executive branch on treaty issues and Judge John O'Sullivan ruled against Mr. Arias thanks to a written statement from State Department lawyer Tom Heinemann claiming the existence of a valid treaty. Mr. Arias has languished in a Miami detention center since September 2017.

On March 14 in Miami, the case will go before the 11th U.S. Circuit Court of Appeals. In preparation for that hearing, on Feb. 21 Mr. Arias's lawyers—David Markus and Ricardo Bascuas—filed a "second motion for stay of extradition pending appeal." The filing referred to a line from a declassified cable, sent in 2000 by the U.S. Embassy in Bogotá: "Colombia and the United States have not had a mutually recognized extradition treaty since 1986."

State saw that and panicked. Within hours it signed the order to put Mr. Arias on a plane to Colombia. That effort was blocked when the appellate court granted an "emergency motion" to keep the government from surrendering Mr. Arias. He will have his day in court.

Mr. Arias was a political acolyte of former center-right President Álvaro Uribe and a favorite in the 2010 presidential race. I wrote in 2016 how he was knocked out of the running by unsubstantiated allegations in the media and how two leftist Colombian attorneys general and a suspect Supreme Court in 2014 convicted him of fraud with zero evidence. He received an unusually harsh 17-year sentence and an excessive $8 million fine.

Mr. Arias testified in federal court in Miami that the U.S. Embassy in Bogotá acknowledged at the time that he was a political target and helped him secure a U.S. visa so he could flee in 2014 ahead of his conviction. A June 2014 investigation by Colombia's inspector general found Mr. Arias innocent of all charges. Yet the Colombian Supreme Court recently denied him any appeal, in violation of international law.

Mr. Uribe presented an affidavit to the court in Miami stating that there is no treaty in force between Colombia and the U.S. During his 2010-18 tenure, former President Juan Manuel Santos refused to send the notorious Venezuelan kingpin Walid Makled to the U.S., citing the absence of a treaty.

Later, when Mr. Santos wanted to reel Mr. Arias in from Miami, Colombia sent an unsigned diplomatic note to U.S. federal court arguing that the U.S. is obligated to extradite under the treaty though Colombia is not. As Mr. Arias's legal team has noted in court documents, "Colombia's diplomatic note was carefully worded to avoid saying that there is a treaty in effect. The diplomatic note is perfectly consistent with the newly discovered State Department [cable]. It stated that '[t]he treaty cannot be applied' in Colombia because Colombia never ratified it. Consequently, 'extradition requests that the United States of America presents to Colombia, cannot be processed, neither granted or denied, in accordance to the Treaty.'"

Mr. Arias's lawyers further observed: "The note did not state that Colombia requested Minister Arias' extradition pursuant to the Treaty. It stated merely that Colombia requested his extradition "with the understanding that the United States of America would process it based on the Treaty." The State Department, the lawyers write, "has been aware all along that Colombia's diplomatic note does not say that there is any treaty in effect."

The 2000 cable outlined the problem of the one-sided treaty: Colombia signed it with the U.S. in 1979. "But in 1986 the Colombian Supreme Court declared it unconstitutional. Ever since," the cable says, Colombia has used internal laws to deal with extradition and "has ignored the treaty as it applies to [U.S.] requests."

To overcome the troubles this generates, the cable said, "Embassy recommends that the [U.S.] propose to [Colombia] negotiations of a new extradition treaty."

Almost 20 years later this has not been done because the Colombian underworld opposes it. No wonder Mr. Heinemann refused to appear in Miami federal court when subpoenaed by Mr. Arias's attorneys. Keeping a straight face would have been a challenge.