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OIL

Oil Inches Lower Amid Weak Economic Data from China

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SECTOR COMMENTARY:

The energy sector is pointing to a lower start, pressured by weakness in the underlying commodities and in the major equity futures which inched lower this morning as investors prepared for the Fed's May policy meeting to kick off.

WTI and Brent crude oil inched lower this morning, faltering in early trading on weak economic data from China and expectations of interest rate hikes from the Fed and ECB this week. Traders also noted a cloudy economic outlook in other parts of the world also weighing on prices. Manufacturing activity in China fell unexpectedly in April, the first contraction in the manufacturing purchasing managers' index since December. The Fed is expected to increase interest rates by another 25 basis points tomorrow while the ECB is also expected to raise rates at its regular policy meeting on Thursday. Traders will be looking to the next round of inventory reports as the next catalyst with recent polls showing analyst expect crude stocks to have fallen for a third consecutive week.

Natural gas futures carried over yesterday's declines into this morning's session, pressured by record output, warmer weather curbing demand and as the amount of gas flowing to LNG export plants declined due to spring maintenance. Data shows the average gas output in the U.S. Lower 48 states rose to 101.7 bcf/d so far in May, up from a record 101.4 bcf/d in April. Meteorologists project the weather in the Lower 48 states would turn warmer-than-normal next week. Gas flows to the seven big U.S. LNG export plants slid to an average of 13.5 bcf/d so far in May, down from a record 14.0 bcf/d in April. The decline this week was due to small reductions at Cheniere Energy Inc's Sabine Pass and Venture Global LNG's Calcasieu Pass in Louisiana.

BY SECTOR:

US INTEGRATEDS

Exxon Mobil is not giving up on oil exploration in Brazil, the company's country chief Alberto Ferrin said during the Offshore Technology Conference (OTC) in Houston.

INTERNATIONAL INTEGRATEDS

Algeria's Sonatrach dropped May official selling prices (OSPs) for liquefied petroleum gas (LPG) while Saudi Arabia's state oil producer **Aramco** increased OSPs for its butane, traders said.

BP expected to pay \$1 billion under Britain's windfall tax on the oil and gas sector

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between May 2022 and April 2023, the company said on Tuesday.

BP reported profit for the quarter was \$8.2 billion, compared with \$10.8 billion for the fourth quarter 2022. The reported result for the first quarter is adjusted for inventory holding losses of \$0.5 billion (net of tax) and a net favourable impact of adjusting items* of \$3.7 billion (net of tax) to derive the underlying replacement cost profit. Adjusting items include favourable fair value accounting effects of \$4.3 billion, primarily resulting from the decline in the forward price of LNG compared to the end of the fourth quarter. During the first quarter, bp also completed share buybacks of \$225 million as part of the \$675 million programme announced on 7 February 2023 to offset the expected full-year dilution from the vesting of awards under employee share schemes in 2023. Based on bp's current forecasts, at around \$60 per barrel Brent and subject to the board's discretion each quarter, bp continues to expect to be able to deliver share buybacks of around \$4.0 billion per annum, at the lower end of its \$14-18 billion capital expenditure range, and have capacity for an annual increase in the dividend per ordinary share of around 4%.

Petrobras has abandoned a plan to sell its 44% stake in a promising offshore gas project it shares with Colombia's **Ecopetrol** in the Andean country, a Petrobras executive said at a Houston energy conference on Monday.

Curtiss-Wright Corporation announced that it has signed an agreement with Shell Exploration & Production Company, a subsidiary of **Shell**, to manufacture, test, and provide operational support for an Electro-Submersible Pump (ESP) for a Shell offshore platform in the Gulf of Mexico.

CANADIAN INTEGRATEDS

No significant news.

U.S. E&PS

California Resources reported first quarter 2023 operational and financial results. Reported net income of \$301 million, or \$4.09 per diluted share. When adjusted for items analysts typically exclude from estimates including mark-to-market adjustments and gains on asset divestitures, the Company's adjusted net income¹ was \$193 million, or \$2.63 per diluted share. Declared a quarterly dividend of \$0.2825 per share of common stock, totaling ~\$20 million payable on June 16, 2023 to shareholders of record on June 1, 2023, with subsequent quarterly dividends subject to final determination and Board approval. Repurchased 1,423,764 common shares for \$59 million during the first quarter of 2023; repurchased an aggregate 12,880,024 shares for \$519 million at an average price of \$40.31 per share since the inception of the Share Repurchase Program in May 2021 through March 31, 2023. CRC is reaffirming its total year 2023 capital program to a range between \$200 and \$245 million.

California Resources announced a storage-only Carbon Dioxide Management Agreement (CDMA) between Carbon TerraVault Holdings, LLC (CTV), a subsidiary of CRC that provides services including the capture, transport and storage of carbon dioxide (CO₂), and Yosemite Clean Energy, LLC (Yosemite). CRC also announced a second storage-only CDMA between CTV and InEnTec Inc. (InEnTec).

Diamondback Energy announced financial and operating results for the first quarter ended March 31, 2023. Diamondback's first quarter 2023 net income was \$712 million, or \$3.88 per diluted share. Adjusted net income (as defined and reconciled below) was \$751 million, or \$4.10 per diluted share. First quarter 2023 Consolidated Adjusted EBITDA (as defined and reconciled below) was \$1.49 billion. Adjusted EBITDA net of non-controlling interest was \$1.42 billion. Diamondback announced that the Company's Board of Directors declared a base cash dividend of \$0.80 per common share for the first quarter of 2023 payable on May 18, 2023, to stockholders of record at the close of business on May 11, 2023.

CANADIAN E&PS

MEG Energy reported its first quarter 2023 operational and financial results. AFF and FFO in the first quarter of 2023 declined to \$274 million and \$348 million, respectively, from \$559 million and \$587 million in the same period of 2022, mainly reflecting a 48% decrease in cash operating netback. Higher 2023 bitumen sales volumes were more than offset by lower realized prices relative to the first quarter of 2022. Net earnings were \$81 million and \$362 million in the first quarter of 2023 and 2022, respectively. The 2023 decline mainly reflects a lower cash operating netback partially offset by reduced income tax expense. The \$161 million of first quarter 2023 FCF, and a portion of available cash, were used for debt repurchases and share buybacks. The Corporation repurchased US\$86 million (approximately \$117 million) of outstanding 7.125% senior unsecured notes at a weighted average price of 102.2%. Share buybacks totaled \$103 million through the repurchase and cancellation of 4.9 million shares at a weighted average price of \$20.88 per share.

OILFIELD SERVICES

Granite Construction announced results for the quarter ended March 31, 2023. Revenue decreased \$94 million to \$560 million compared to \$654 million in the same period in the prior year. Comparable revenue (2), which excludes Granite Inliner revenue of \$36 million in the prior year, decreased \$58 million year-over-year. Adjusted EBITDA (3) was \$(9) million compared to \$6 million in the same period in the prior year.

Solaris Oilfield Infrastructure announced first quarter 2023 results, with revenues of \$82.7 million, net income of \$11.9 million, adjusted pro forma net income of \$11.0 million, or \$0.24 per fully diluted share and Adjusted EBITDA of \$25.1 million. Raised regular quarterly dividend by 5% to \$0.11 per share, which was paid on March 24, 2023 and represented Solaris' 18th consecutive quarterly dividend. Repurchased 1.6 million Class A common stock shares (3.5% of total outstanding shares) during the quarter; approximately \$36 million remains available under \$50 million share repurchase authorization announced in the first quarter.

TETRA Technologies announced first-quarter 2023 financial results. First quarter 2023 revenue of \$146 million increased 12% from the first quarter of 2022 but decreased 1% from the fourth quarter of 2022. Net income before discontinued operations was \$6.0 million, inclusive of \$2.0 million of non-recurring credits, net of charges, mainly from a favorable cash insurance settlement. Adjusted EBITDA for the first quarter of 2023 was \$20.6 million (14.1% of revenue) compared to \$20.3 million (13.8% of revenue) in the fourth quarter of 2022, and up slightly compared to \$20.5 million (15.7% of revenue) in the first quarter of 2022.

USA Compression Partners announced its financial and operating results for first-quarter 2023. Record total revenues of \$197.1 million for first-quarter 2023, compared to \$163.4 million for first-quarter 2022. Adjusted EBITDA was \$118.2 million for first-quarter 2023, compared to \$98.4 million for first-quarter 2022. On April 13, 2023, the Partnership announced a first-quarter cash distribution of \$0.525 per common unit, which corresponds to an annualized distribution rate of \$2.10 per common unit. The distribution will be paid on May 5, 2023, to common unitholders of record as of the close of business on April 24, 2023.

DRILLERS

Transocean reported a net loss attributable to controlling interest of \$465 million, \$0.64 per diluted share, for the three months ended March 31, 2023. Total contract drilling revenues were \$649 million, compared to \$606 million in the fourth quarter of 2022 (total adjusted contract drilling revenues of \$667 million, compared to \$625 million in the fourth quarter of 2022). Net loss attributable to controlling interest was \$465 million, \$0.64 per diluted share, compared to \$350 million, \$0.48 per diluted share, in the fourth quarter of 2022.

Valaris announced that ARO Drilling, its 50/50 joint venture with **Saudi Aramco**, has appointed Mohamed Hegazi as Chief Executive Officer, effective immediately.

Valaris reported first quarter 2023 results. Generated Net Income of \$49 million, Adjusted EBITDA of \$24 million and Adjusted EBITDAR of \$51 million. Revenues decreased to \$430 million from \$434 million in the fourth quarter 2022. Excluding reimbursable items, revenues decreased to \$408 million from \$413 million in the fourth quarter. The decrease was primarily due to lower utilization for the harsh environment jackup fleet, partially offset by a higher average day rate for the floater fleet.

REFINERS

CVR Energy announced net income of \$195 million, or \$1.94 per diluted share, on net sales of \$2.3 billion for the first quarter of 2023, compared to net income of \$94 million, or 93 cents per diluted share, on net sales of \$2.4 billion for the first quarter of 2022. Adjusted earnings for the first quarter of 2023 was \$1.44 per diluted share compared to adjusted earnings of 2 cents per diluted share in the first quarter of 2022, primarily driven by improved crack spreads. First quarter 2023 EBITDA was \$401 million, compared to first quarter 2022 EBITDA of \$278 million. Adjusted EBITDA for the first quarter of 2023 was \$334 million, up from \$155 million in the first quarter of 2022.

Marathon Petroleum reported net income attributable to MPC of \$2.7 billion, or \$6.09 per diluted share, for the first quarter of 2023, compared with net income attributable to MPC of \$845 million, or \$1.49 per diluted share, for the first quarter of 2022.

MLPS & PIPELINES

Cheniere Energy reported a fall in quarterly revenue on Tuesday, hurt by lower gas prices amid steadier global supply and a mild winter in Europe. The Houston, Texas-based energy firm posted a quarterly revenue of \$7.31 billion for the quarter ended March 31, compared with \$7.48 billion a year earlier.

Crestwood Equity Partners reported its financial and operating results for the three months ended March 31, 2023. First quarter 2023 net income of \$41.6 million, compared to net income of \$22.2 million in first quarter 2022, an increase of 87% year-over-year. First quarter 2023 Adjusted EBITDA of \$192.6 million, compared to \$172.8 million in the first quarter 2022, an increase of 11% year-over-year

Enterprise Products Partners announced its financial results for the three months ended March 31, 2023. Enterprise reported net income attributable to common unitholders of \$1.4 billion, or \$0.63 per unit on a fully diluted basis, for the first quarter of 2023, compared to \$1.3 billion, or \$0.59 per unit on a fully diluted basis, for the first quarter of 2022.

Equitrans Midstream announced financial and operational results for the first quarter 2023. The company reported \$106.1 million of net income and \$299.6 million of Adjusted EBITDA and generated \$224.7 million of net cash from operating activities and \$94.2 million of free cash flow.

MPLX reported first-quarter 2023 net income attributable to MPLX of \$943 million, compared with \$825 million for the first quarter of 2022. Adjusted earnings before interest, taxes, depreciation, and amortization (EBITDA) attributable to MPLX was \$1,519 million, compared with \$1,393 million for the first quarter of 2022.

Scorpio Tankers reported its results for the three months ended March 31, 2023. The Company also announced that its board of directors has declared a quarterly cash dividend of \$0.25 per common share. For the three months ended March 31, 2023, the Company had net income of \$193.2 million, or \$3.40 basic and \$3.27 diluted earnings per share. For the three months ended March 31, 2023, the Company had adjusted net income of \$105.6 million, or \$2.44 basic and \$2.21

Company had adjusted net income of \$195.6 million, or \$3.44 basic and \$3.31 diluted earnings per share, which excludes from net income a \$2.3 million, or \$0.04 per basic and diluted share, write-off or acceleration of the amortization of deferred financing fees on certain lease financing obligations and related extinguishment costs. For the three months ended March 31, 2022, the Company had a net loss of \$84.4 million, or \$1.52 basic and diluted loss per share.

MARKET COMMENTARY

U.S. stock index futures edged lower ahead of the policy meeting by the Federal Reserve and uncertainty around the U.S. debt ceiling talks kept investors on the edge. European shares fell with a drag in oil and gas stocks offsetting gains from banking shares. In Asian equities, Japan's Nikkei dipped as jitters surrounding the U.S. banking system weighed on domestic financial stocks. Oil prices fell, as weak economic data from China weighed on the market. The dollar held steady while gold prices ticked higher. Job Openings and Labor Turnover Survey, or JOLTS report is expected later in the day.

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