12 October 2023

SENT TO LSU AGCENTER/LOUISIANA FOREST PRODUCTS DEVELOPMENT CENTER - FOREST SECTOR / FORESTY PRODUCTS INTEREST GROUP

Exxon doubles down on fossil fuels

BY MICHELLE CHAPMAN, ASSOCIATED PRESS
Updated 11:32 AM CDT, October 11, 2023

Exxon Mobil is buying Pioneer Natural Resources in an all-stock deal valued at $59.5 billion, its largest buyout since acquiring Mobil two decades ago, creating a colossal fracking operator in West Texas.

Including debt, Exxon is committing about $64.5 billion to the acquisition, leaving no doubt of the Texas energy company's commitment to fossil fuels as energy prices surge. Pioneer shareholders will receive 2.32 shares of Exxon for each Pioneer share they own.

''I think fossil fuels, as the world looks to transition and find lower sources of affordable energy with lower emissions, fossil fuels oil and gas are going to continue to play a role over time,'' Exxon Mobil CEO Darren Woods said during an interview with CNBC. ''That may diminish with time. The rate of that is, I think, not very clear at this stage. But it will be around for a long time.''

Woods said Exxon and Pioneer will be able to use their combined capabilities to drive down emissions and produce lower carbon intensity oil and gas.

Exxon purchased XTO Energy in 2009 for approximately $36 billion. In the late 1990s, the merger between Exxon and Mobil was valued around $80 billion.

The deal with Pioneer Natural vastly expands Exxon's presence in the Permian Basin, a massive oilfield that straddles the border between Texas and New Mexico. Drilling the Permian accounted for 18% of all U.S. natural gas production last year, according to the U.S. Energy Information Administration.

Pioneer's more than 850,000 net acres in the Midland Basin will be combined with Exxon's 570,000 net acres in the Delaware and Midland Basin, nearly contiguous fields that will allow the combined company to trim costs.

Woods said in prepared remarks that the combined company will have an estimated Permian resource of 16 billion oil-equivalent barrels, with 15 to 20 years of remaining inventory.

Natural gas rigs in operation have declined over 26% in the U.S. since the start of the year, according to government data, largely due to the rising costs for drilling materials and labor over the past two years.

Once the deal closes, Exxon Permian production volume will more than double to 1.3 million barrels of oil equivalent per day, based on 2023 volumes. It's expected to climb to about 2 million barrels of oil equivalent per day in 2027.

Woods said that by 2027, about 60% of the combined company's production will come from low-cost, high-growth strategic assets, including the Permian, Guyana and Brazil with a total production of more than 5 million oil-equivalent barrels per day.

''The combination of ExxonMobil and Pioneer creates a diversified energy company with the largest footprint of high-return wells in the Permian Basin,'' Pioneer CEO Scott Sheffield said in a prepared statement.

Exxon is flush with cash. The company posted unprecedented profits last year of $55.7 billion, breezing past its previous record of $45.22 billion in 2008 when oil prices hit record highs.

The boards of both companies have approved the transaction, which is expected to close in the first half of next year. It still needs approval from Pioneer shareholders.

==

Richard P. Vlosky, Ph.D.
Crosby Land & Resources Professor of Forest Sector Business Development
Director, Louisiana Forest Products Development Center
Room 227, School of Renewable Natural Resources
Louisiana State University Agricultural Center
Baton Rouge, LA 70803 USA
Phone: (225) 578-4527; Mobile: (225) 223-1931
rvlosky@agcenter.lsu.edu
https://www.lsu.edu/rnr/people/profiles/vlosky.php

Chair, LSU Agricultural Faculty Council, LSU AgCenter/College of Agriculture
https://faculty.lsu.edu/ag-faculty-council/index.php