

# Los Angeles Times

## Chevron plans write-down as natural gas prices slump

*The company will take up to \$11 billion off its balance sheet and may sell its shale-gas holdings.*



*CALIFORNIA-BASED Chevron is acting in the face of an oversupply of natural gas that has sent prices slumping. U.S. natural gas futures could finish the year at their lowest average price level since 1999. (Dreamstime) bloomberg*

Chevron Corp. expects to write down as much as \$11 billion in the fourth quarter, more than half of it from its Appalachia natural gas assets after a slump in prices.

The U.S. oil giant is considering the sale of its shale-gas holdings, along with its Kitimat liquefied natural gas project in Canada, it said in a statement Tuesday. Chevron said it will keep its 2020 capital budget at \$20 billion, the third consecutive year it hasn't boosted spending.

The company's actions come from a chief executive, Mike Wirth, whose mantra has been capital discipline. This year Wirth earned \$1

billion for the company by walking away from a bidding war for Anadarko Petroleum Corp.

San Ramon, Calif.-based Chevron is the best performer among the five major Western oil companies this year, but it has faced mounting costs at its Tengiz project in Kazakhstan.

"The Appalachia write-down should be baked in, but the others are incrementally negative" for the stock, said Muhammed Ghulam, an analyst at Raymond James & Associates. "I would expect most companies to have to write down gas assets this year."

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Chevron follows oil-services giant Schlumberger Ltd. and Spanish oil and gas producer Repsol in ascribing a lower value to their assets at a time when the growing adoption of cleaner energy stokes speculation that demand for fossil fuels may peak in a few years, while supplies keep rising. Schlumberger posted a \$12.7-billion write-down in October, and Repsol took \$5.3 billion off its balance sheet last week.

Chevron's stock fell 0.5% to \$117.27 a share in after-hours trading, giving back the gain it made in regular trading Tuesday before the write-down was announced. The stock is up about 8% for the year.

The gas glut is particularly pronounced in North America, where shale production is flooding local markets. Wirth said his decision to walk away from certain gas assets illustrates Chevron's discipline in protecting shareholder funds.

"The best use of our capital is investing in our most advantaged assets," Wirth said in the statement. "With capital discipline and a conservative outlook comes the responsibility to make the tough choices necessary to deliver higher cash returns to our shareholders over the long term."

Wirth has made crude production from the Permian Basin a centerpiece of his global strategy, with a budget of \$4 billion for the shale play next year. The giant Tengiz joint venture in the Caspian Sea, whose total cost has surged to about \$45 billion, will receive \$3.75 billion from Chevron in 2020.

U.S. natural gas futures prices have slumped this year amid a supply glut and are now averaging about \$2.54 per million British thermal units. If it finishes the year at that level, it'll be the lowest average price since 1999.

The move to write down Appalachian gas is likely to pressure other producers in the region to do the same. Newly built gas export terminals

along the U.S. Gulf Coast have so far failed to absorb the excess supply.

Chevron held more than 750,000 net acres in the Marcellus and Utica shale formations, which stretch from West Virginia to Pennsylvania and Ohio, according to a [2017 fact sheet](#) on the company's website.

The write-down also encompasses the Big Foot oil platform in the U.S. Gulf of Mexico, which began producing last year.