

The Urge to Merge

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There has been recent activity in the upstream sector of the oil business. There seems to be an immediate need for large-size companies to merge/acquire smaller companies.

In each case synergies and efficiency seem to be behind the mergers. These companies might appear large, but they must compete with much larger national oil companies. An Exxon or a Chevron account for only a small fraction of world supply.

The merger with Hess offers Chevron much needed access to production and reserves. It invites them into one of the most prolific finds in the last 10 years: Guyana.

Given the sharp swings in the oil markets, Hess buys into financial security. In the case of Pioneer, they buy into Exxon, one



of the best managed operating companies in the industry.

Exxon wins, as well, since Pioneer's Permian production and reserves fit nicely with Exxon's current operations.

p.s. It is a message from the industry to governments that they disagree with the forecasts on the demise of the oil and gas industry.

Larry Goldstein (larryg@eprinc.org) is an internationally recognized authority on petroleum markets, and has extensive advisory relationships with energy companies, research institutes, and government agencies. He is a former president of the Petroleum Industry Research Foundation (PIRINC) now the Energy Policy Research Foundation (EPRINC), its successor organization, and continues to be on EPRINC's Board of Trustees. He was a founder and president of the PIRA Energy Group, a major energy consulting firm that was acquired by S&P Global in 2016.

He has testified numerous times before congressional committees and regulatory bodies and has been appointed to the National Petroleum Council (NPC) by every recent U.S. Secretary of Energy. He has briefed the Chairman of the Federal Reserve Board, senior officials at the Government Accountability Office, and a wide range of government agencies on developments in domestic and world petroleum markets. He has also served as consultant to the Iraq Coalition Provisional Authority. During the 1970s and 1980s he frequently appeared on the CBS Evening News anchored by Walter Cronkite.