Anadarko CEO: Exploration 'will always be a part of what we do'

Investors have been pushing upstream oil and gas companies like The Woodlands-based Anadarko Petroleum Corp. (NYSE: APC) toward projects with shorter investment horizons coming out of the downturn, the company’s top executive said.

That makes it hard to strike a balance with long-cycle projects, and locks those companies into unconventional production basins like the Permian, said Al Walker, Anadarko’s chairman, president and CEO. Walker was speaking at the International Petroleum Summit on May 17, a conference put on by the Association of International Petroleum Negotiators.

There have even been cases where independent producers that specialize in long-term deepwater projects have been forced into short-cycle investments, Walker said.

"Not that they're good at it, but they're under so much pressure from shareholders that they're going to have to move to do something," he said.

And that's not a pressure Walker wants shaping Anadarko, he said. He wants to make sure his company has the ability to invest in developing options to move into new countries and develop new production that might not see returns for several years.

"We continue to look for new places around the world to do things," Walker said. "I think that will always be a part of what we do."

The industry around Anadarko, though, has pulled away from that kind of investment, something Walker said would cause supply problems in the next decade.

This isn’t the first time this concern has been raised in the past year. John England, a Houston-based vice chairman
at Deloitte LLP, outlined similar concerns toward the end of 2016.

“The area in which people are spending their capex makes a lot of sense for a lot of companies,” England said at the time. “But it raises the question, will there be enough supply?”

Both Walker and England raised questions as to whether onshore, unconventional plays can sustain the production needed to meet rising global demand. Walker said that shale development will probably not be able to offset demand growth by itself.

"We’re going to need conventional oil. Without conventional oil, we’re going to see a lot of upward pressure on prices," Walker said. "We as management have to balance what we think is the right way to run a company in the next five to 10 years verses demands that are being put on us for the next five to 10 quarters."

Anadarko plans to spend $1.1 billion on deepwater and international operations this year, compared with $1.9 billion for the U.S. onshore. The company recently closed a $2 billion acquisition in the Gulf of Mexico.

Anadarko has been building up Permian production recently, though that seems to have come more at the expense of the Eagle Ford than long-cycle plays. The company has already embarked on a 200-employee move to establish a satellite office in Midland, Texas. That office will support what Walker said on an earnings call was "probably one of the largest greenfield developments that are likely to be seen in the careers of most engineers and other petrol professionals."

Anadarko recently sold Eagle Ford acreage to Houston-based WildHorse Resource Development Corp. (NYSE: WRD). Before that, the company cut about 60 jobs associated with assets sold in a $2.3 billion deal with a joint venture between Houston-based Sanchez Energy Corp. (NYSE: SN) and funds managed by Blackstone Energy Partners (NYSE:BX) earlier this year.

Walker declined to comment during the conference's question and answer session on a fatal home explosion in Colorado connected to a nearby old Anadarko well. The company plans to sever certain gas lines at each of the more-than 3,000 vertical wells it owns in the DJ Basin in Colorado.

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