

Upstream Connected

Upstream Insight

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Gas-weighted E&Ps appear resilient in 2026 despite softer forward curve

In 2025, gas-weighted E&Ps spent about \$10.9 billion on capex, reinvesting roughly 54% of operating cash flow. For 2026, we project a modest 4% rise in total spending. Both the forward curve and S&P Global Energy's price outlook indicate that these operators can comfortably meet planned capex, shareholder returns and debt service. Stress-testing under a range of price scenarios shows the group is relatively resilient: even with Henry Hub at \$2.40/MMBtu and WTI at \$55/b, gas-weighted E&Ps are set to generate enough free cash flow.



Top 5 trends shaping upstream costs in 2026

This report outlines key drivers of rising project costs. Despite weaker oil prices, upstream costs will increase this year; without structured cost adjustments or an oil price rise, projects face elevated risk.

1. Stickiness of post-pandemic cost escalation
2. Structural changes in oil and gas industry
3. Shifting capital allocation and project approaches
4. Offshore sector investment challenges
5. Geopolitical wild cards



Shifting alignments: Above-ground trends for E&P investors in 2026

In this annual research review and outlook, the E&P Terms and Above-Ground Risk team assesses key global and regional themes for E&P investors for the coming year. The research also includes a review of key changes in terms, regulations and the risk environment in 2025.



Unlocking the energy potential of the Eratosthenes Carbonate Platform

The Eratosthenes Carbonate Platform, offshore southwest Cyprus in the Eastern Mediterranean, is a premier exploration hot spot. Seven commercial gas discoveries lie along a southwest corridor near the Cyprus-Egypt border, though only Egypt's Zohr field currently produces. The province holds an estimated 4,964 million boe of recoverable resources. Major IOCs — Eni, TotalEnergies, ExxonMobil and Chevron — have secured large acreage and are driving exploration and development, especially on the platform's southern edge and into Egyptian waters.

E&Ps = exploration and production companies; capex = capital expenditure; MMBtu = million British thermal units; WTI = West Texas Intermediate; boe = barrel of oil equivalent; IOCs = international oil companies.

Source: S&P Global Energy.

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The day after: Operator strategy in a post-Maduro Venezuela

On Jan. 3, 2026, the US seized Venezuelan President Nicolás Maduro but left most state institutions intact, sparking renewed interest in the country's faltering oil sector. A genuine revival would require private capital, likely from incumbents such as Chevron, Eni and Repsol, and would still have to operate through PDVSA despite its 2007-era governance and operational limits. In the short term, Chevron, backed by its US license, is best positioned, producing about one-third of output, while ExxonMobil and ConocoPhillips remain cautious.



Europe Industry Trends

In Europe's upstream oil and gas sector, common trends are emerging across Norway, the UK and Germany, driven by regulatory changes, investment strategies and sustainability. European nations are boosting capital spending to secure hydrocarbons, the UK faces fiscal pressure to revive domestic gas via new licensing rounds and a revised Energy Profits Levy, and Germany, despite legal and production setbacks, continues investing in existing infrastructure, renewable energy, and hydrogen while treating gas as a transitional fuel.



Venezuela: Outlook for rebuilding a failed petro-state

S&P Global Energy currently ranks Venezuela last out of 112 rated jurisdictions for the attractiveness of its upstream oil and gas investment environment. However, anticipated improvements in Venezuela's above-ground conditions are forecast to push the country into the top 60% of rated jurisdictions by 2030.



January 2026 US rig and efficiency update: Gas activity rises, oil looks flat

Remarkable efficiency gains continued throughout 2025 as operators put down 14% more lateral length per rig overall from fourth quarter 2024 to fourth quarter 2025. The Permian led the improvement, boosting lateral footage by over 17% — from 856 ft/d to 1,000 ft/d — while the Delaware plays rose 16% year over year. January 2026 opened strongly: 15 rigs were added since Dec. 15, bringing the total to 514 on Jan. 25, with 12 of those rigs deployed to Haynesville and Western Haynesville. The Permian rig count stayed flat, yet overall drilling efficiency kept climbing.



Chasing barrels vs. Bcf: How oil and gas prices shape drill locations?

Several major operators hold assets in both oil rich and dry gas plays, giving them portfolio flexibility. Consequently, the crude to natural gas price ratio directly influences capital allocation. At \$60/b WTI, returns improve when capital shifts to gas-weighted assets once natural gas prices exceed \$3.50/MMBtu. An oil-to-gas price ratio of roughly 17:1 is the break-even point where crude and gas returns are comparable; above this ratio, oily plays are favored, while below it, dry gas development often delivers higher returns.

ft/d = feet/day.

Source: S&P Global Energy.

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