Environmentalists were critical of the deal. “Exxon should be moving toward clean energy like solar and wind,” said Dan Becker, director of the safe climate transport campaign at the Center for Biological Diversity. “Instead, they are doubling down on dirty oil, and production in the Permian, which is draining the limited water supplies in the area.”

**Exxon Mobil Strikes $60 Billion Deal for Shale Giant**

The acquisition of Pioneer Natural Resources, Exxon’s largest since its merger with Mobil in 1999, is a bet that U.S. energy policy will not move against fossil fuels in a major way.

By Clifford Krauss
Oct. 11, 2023

Exxon Mobil announced on Wednesday that it was acquiring Pioneer Natural Resources for $59.5 billion, deepening its reliance on fossil fuel production even as many global policymakers grow increasingly concerned about climate change and the oil industry’s reluctance to shift to cleaner energy.

Exxon has spent decades investing in projects around the world, but the deal would squarely lodge its future close to its Houston base, with most of its oil production in Texas and along the coast of Guyana.

By concentrating its operations close to home, Exxon is effectively betting that U.S. energy policy will not move against fossil fuels in a major way even as the Biden administration encourages automakers to switch to electric vehicles and utilities to make the transition to renewable energy.

Exxon executives have said that in addition to producing more fossil fuels, the company is building a new business that will capture carbon dioxide from industrial sites and bury the greenhouse gas in the ground. The technology to do that remains in an early stage and has not been successfully used on a large scale.

“We’re doubling down on our organizations and capabilities,” said Darren Woods, Exxon’s chief executive. The combined company would generate value “well in excess of what either company
is capable of doing on a stand-alone basis,” he added. The focus of the deal is “on taking the best of both organizations,” he said.

American oil production has reached a record of roughly 13 million barrels a day, around 13 percent of the global market, but growth has slowed in recent years. Despite a wave of consolidation among oil and gas companies, and higher oil prices after the Russian invasion of Ukraine last year, producers are having a more difficult time finding new locations to drill.

The Pioneer deal is a sign that it is now easier to acquire an oil producer than to drill for oil in a new location.

Exxon, a refining and petrochemical powerhouse, needs a lot more oil and gas to turn into gasoline, diesel, plastics, liquefied natural gas, chemicals and other products. Much of that oil and gas is likely to come from the Permian Basin, the most productive U.S. oil and gas field, which straddles Texas and New Mexico and where Pioneer is a major player.

Exxon’s $10 billion Golden Pass terminal near the Texas-Louisiana border is scheduled to begin shipping liquefied natural gas to the rest of the world next year. Gas bubbles up with oil from the Permian Basin, making the basin all the more valuable for exports as Europe weans itself from Russian gas.

The Pioneer deal would be Exxon’s largest acquisition since it bought Mobil in 1999. It is bigger than the company’s ill-fated $30 billion acquisition of XTO Energy, a major natural gas producer, in 2010. Exxon had to write off much of that investment later when natural gas prices collapsed from the high levels that prevailed when it bought XTO.

By buying Pioneer now, when the U.S. oil benchmark is around $84 a barrel, Exxon is counting on prices remaining relatively high in the next few years.

Exxon has been careful in recent years to invest modestly as it has raised its dividends and bought back more of its own stock. Buying Pioneer would add production, a big change in its strategy.

The acquisition would make Exxon the dominant player in the Permian Basin, far outpacing Chevron, its biggest rival. The merged company would combine Pioneer’s 850,000 acres with Exxon’s 570,000 acres in the Permian, giving it one of the largest undeveloped oil and gas inventories in the world. Provided the deal receives regulatory approval, Exxon’s production in the basin would more than double to 1.3 million barrels of oil and gas a day, the company said.

Combining the companies’ acreage would allow the group to drill longer wells to reach deeper into the layer cake of shale resources in the basin. The companies said they could stretch some lateral drilling up to four miles.

Shale fields require constant drilling of new wells because production exhausts after a few years. As oil production recedes, the output of natural gas from wells increases, promising to make the Permian a major source of gas for decades.
Energy experts noted that the deal underscored a big shift in the industry’s view of shale drilling over the last decade.

“In the early days of the fracking revolution, Big Oil wasn’t especially interested in going into the Permian or other shale plays,” said Bernard Weinstein, an economist at Southern Methodist University in Dallas. “They were more interested in deepwater drilling and working off the coast of Africa. That’s really changed.”

A few large European oil companies, which have generally moved faster to renewable energy than U.S. businesses, have stayed away from the Permian or sold their holdings in recent years.

In a call with reporters, Mr. Woods said the Exxon and Pioneer would work together to reduce emissions. “As long as the world needs oil and gas,” he said, the companies will work to “have the most efficient, effective and responsible” operations.

Environmentalists were critical of the deal. “Exxon should be moving toward clean energy like solar and wind,” said Dan Becker, director of the safe climate transport campaign at the Center for Biological Diversity. “Instead, they are doubling down on dirty oil, and production in the Permian, which is draining the limited water supplies in the area.”

Exxon said it was working to recycle more than 90 percent of the water it used in the Permian for fracking by 2030. Last year, the company recycled 64 percent.

Pioneer has been a darling of Wall Street investors as it has capitalized on the shale drilling boom. Scott Sheffield, its chief executive, got the company out of Alaska, Africa and offshore fields while buying up shale operations in the Permian at cheap prices. Among the fields Pioneer acquired in the Permian years ago were some from Exxon.

By 2020, it had become one of the biggest American drillers, with relatively low-cost production.

Mr. Sheffield praised the deal, saying the combined company would improve efficiency of managing the companies’ adjacent, contiguous oil and gas acreage. “Our shareholders and our employees will be better positioned for long-term success,” he said.

Mr. Sheffield is retiring at the end of the year. His company has a market value of about $50 billion, roughly one-eighth the size of Exxon. Many of its oil and gas fields are still untapped.

The deal would be Exxon’s first major acquisition since Mr. Woods became chief executive in 2017, replacing Rex Tillerson, who went on to become secretary of state.

Exxon, which reported a record profit of $56 billion last year, is flush with cash that it could invest in Pioneer’s untapped fields.

The deal is just the latest in a series of mergers and acquisitions in the oil industry in recent years. Occidental Petroleum acquired Anadarko Petroleum four years ago for nearly $40 billion,
a deal that made Occidental a major competitor to Exxon and Chevron in the Permian Basin. Pioneer spent more than $10 billion buying two other Permian producers, Parsley Energy and DoublePoint Energy, in 2021.

Exxon bought Denbury, a Texas energy company that owns pipelines that can transport carbon dioxide, for $4.9 billion this year.

Pioneer shareholders will receive 2.32 shares of Exxon stock for each Pioneer share at the closing of the deal, which the companies said would come in early 2024. Mr. Woods said he did not anticipate any serious regulatory issues because the combined company would control a fraction of the Permian, and would be small relative to the entire oil and gas industry.

Exxon shares were down about 4 percent on Wednesday morning after the deal was announced. Pioneer was up a little less than 1 percent.