



Drumbeat: August 5, 2013

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[Musings: Shale Alters Energy Market, But Players Face Challenges](#)

What we have learned about the shale revolution over the past few years is that all shale formations are not alike, let alone uniform in their productive capabilities. This fundamental truth lies at the heart of the problems and challenges now facing gas producers, service companies, pipeline companies and investors. That truth could also be extended to include governments who now face lower-than-anticipated revenues and higher-than-expected infrastructure costs. This reservoir truth about shale formation diversity also helps to explain why the traditional industry adjustment mechanism of stopping drilling hasn't worked as usual.

[Shale Explorers Outperforming International Oil Titans](#)

Oil explorers focused on high-margin shale drilling from Texas to North Dakota are set to outperform Big Oil this year.

EOG Resources Inc., Pioneer Natural Resources Co. and Continental Resources Inc. are poised to reap bigger returns for investors than energy titans 15 times their market values as they devote almost all their drilling capital to higher-margin, domestic crude wells, said Gianna Bern, founder of Brookshire Advisory and Research Inc. in Chicago. Houston-based EOG is estimated to more than triple profit in 2013 to \$1.92 billion.

The domestic price rally "is bullish for U.S. shale development and benefits producers with a high U.S. production profile," Bern, a former BP Plc crude trader, said in a telephone interview. U.S. shale "is where the growth is."

[WTI Crude Advances Amid Signs China Slowdown Stabilizing](#)

Brent crude declined for a second day as Libya reopened a terminal closed by protests, while Iranian President Hassan Rohani pledged in his inaugural speech to shun extremism and take a moderate approach.

Futures dropped as much as 1 percent. Libya's Marsa el Hrega port reopened and the first crude cargo was exported Aug. 1, according to Naji Mokhtar, the head of the parliamentary energy committee. In Iran, Rohani took his oath of office yesterday, saying the U.S. and the European Union should end sanctions aimed at stopping the Persian Gulf nation's nuclear enrichment program, which have curbed its oil exports.

“Some rapprochement between Iran and the U.S.” could weigh on prices, said Christopher Bellew, a senior broker at Jefferies Bache Ltd. in London. “Brent dropped below \$106 last week and could head there again soon.”

[Libya works to end oil sector strikes as output rises](#)

(Reuters) - Libya's government is working to end protests at oil facilities that have cut exports, and its oil production has risen to nearly half its normal rate, its top oil official said on Monday.

Disruptions to the North African OPEC producer's oil sector risk crippling its economic lifeline and choking off state revenues.

[Fed Should Reverse Commodity-Trading Policy, CFTC's Chilton Says](#)

The Federal Reserve should reverse a decade-old ruling that allows banks to trade physical commodities, said Bart Chilton, a Commodity Futures Trading Commission member.

[Income at Dana Gas tumbles by almost half](#)

Income at Dana Gas fell by almost half during the second quarter after lost production in the Kurdish region of Iraq and difficulties collecting debts from Egypt.

The Sharjah-based energy producer reported net income for the second quarter of Dh100 million, a decline of 44.7 per cent compared with the corresponding period last year.

[Maurel's Canadian Foray Part of 'Riskier' Exploration Drive](#)

Etablissements Maurel & Prom SA (MAU) is moving into riskier exploration and unconventional projects in Canada and Myanmar in a bid to boost reserves, according to Chief Executive Officer Jean-Francois Henin.

“These will be high-risk operations to get high rewards,” Henin said in an interview at the company's new headquarters in central Paris.

[French oil giant Total to relocate corporate treasury department to London](#)

French oil and gas giant Total has said it is planning to move its corporate treasury department to London to boost its image and get closer to analysts.

A spokesman told Reuters the move would help it “get closer to... the oil trading and financial centre of Europe to allow the group to improve its international visibility”. The company is currently in discussions with trade unions and social partners. The news confirms a report by investigative website Mediapart.

[Blackout Remedy Plan to Get \\$1.6 Billion Boost: Corporate India](#)

Power Grid Corp. of India Ltd., blamed for a network collapse that left more than half the nation’s population without electricity a year ago, will boost a \$16.5 billion investment plan by 10 percent as it seeks to prevent a recurrence.

[Hyundai Heavy’s plant deal raises presence in Saudi power market](#)

Hyundai Heavy Industries bolstered its presence as a global power plant builder in Saudi Arabia as it clinched its fourth mega-power plant construction deal with state-run Saudi Electricity Company.

According to the company, HHI CEO Lee Jae-seong and SEC chairman Saleh bin Hussein Al Awaji signed a \$3.3 billion power plant construction deal for the Shuqaiq steam power project in Riyadh on Sunday. In the deal, Hyundai Heavy will build a thermal power plant with a 2,640-megawatt capacity near the Red Sea by 2017.

[South Africa Power Plants Seen at Risk of Coal Shortfall by 2015](#)

South Africa needs to invest as much as 90 billion rand (\$9 billion) in new coal mines to supply power plants that are at risk of running short of the fuel as soon as 2015, an industry study found.

While some of the growing demand from power stations can be satisfied by extending current coal projects, “the majority will need to be met from new mines,” the Green House, a Cape Town-based consultant, said in its Coal Roadmap report obtained by Bloomberg.

[Gazprom 'conquistadors' target South America](#)

The world’s largest producer of natural gas continues to pick up assets in Latin America and the next may be a joint venture with Germany’s largest crude oil producer.

Gazprom, which has shunned the shale gas revolution in favor of controlling the liquefied natural gas market, will now further expand south, Kommersant reports, citing sources close to Russia’s gas major.

[U.S. extends embassy closures after intercepted al Qaeda message](#)

(CNN) -- What started as an unprecedented move to close almost two dozen diplomatic posts for a day has broadened to week-long closures for most of them as the United States mulls the threat of a possible attack.

A trio of factors prompted officials to extend most of its embassy and consulate closures until Saturday: an intercepted message among senior al Qaeda operatives, the end of Ramadan, and concerns over several major prison breaks in the region.

[Rohani Pledges Moderation as He Takes Iran Oath of Office](#)

Iranian President Hassan Rohani pledged to shun extremism and take a moderate approach to governing the Islamic Republic as he took the oath of office before legislators today.

“The government of hope and prudence will have moderation as a basis of its management for running the country,” Rohani, 64, said in his speech in Tehran. “The government will fight corruption and discrimination.”

[LNG Exports: A US-Based Analyst's View](#)

Selling domestically produced natural gas as "solids" rather than as liquefied natural gas (LNG) may appear to offer a better return, but consider the size of the potential gain in global market share for manufactured products.

[LNG Exports: A View from the Other Side of the Atlantic](#)

LNG exports from the United States would advance energy security for importing countries, observed Mark Young, energy analyst with London-based Evaluate Energy. In turn, the United States enjoys a key advantage as an up-and-coming large-scale LNG exporter because it is on the leading edge of economically producing natural gas from shale formations, he added.

[Norway's \\$740 Billion Fund May Be Restructured, Solberg Says](#)

Norway needs to review its \$740 billion sovereign wealth fund to find a more competitive model that will boost returns, according to the head of the opposition bloc leading in polls ahead of elections next month.

[Fracking will meet resistance from southern nimbys, minister warns](#)

The energy minister Michael Fallon has warned privately that fracking might soon face

fierce resistance from the middle classes in Conservative heartlands as he heralded further exploration across swathes of southern England.

Fallon, a strong supporter of shale gas extraction, told a private meeting in Westminster: "We are going to see how thick their rectory walls are, whether they like the flaring at the end of the drive."

[Propane Use In Agriculture on the Uptick](#)

Back in the Midcentury, some of the tractor manufacturers produced propane tractors for use in regions where propane was cheap and readily available during that time period.

Right now with the fracking boom, we again are faced with a surplus of propane, changing the U.S. from a net importer of propane to a net exporter.

[Nigeria's Oil Troubles: The Bottom Line](#)

So despite the various difficulties, the European oil majors aren't jumping ship. But they are looking to move their money into assets less easily targeted by oil thieves and saboteurs.

[Alaska Oil Tax Referendum Headed for Tight Vote in 2014](#)

ANCHORAGE (Reuters) - Activists hoping to overturn a sweeping tax break for Alaska oil producers have their work cut out for them, even after getting confirmation that they secured enough voter backing to put a referendum on the ballot next year.

The referendum seeks to void a law that rolls back state oil taxes.

[FERC seeks BP fine of \\$28 mln for natgas market manipulation](#)

(Reuters) - U.S. federal energy regulators on Monday ordered BP Plc to show cause why a unit of the British oil company should not be found to have manipulated the natural gas market and to pay a fine of \$28 million and disgorge \$800,000 plus interest.

[China agency sued over oil production in spill-hit bay](#)

BEIJING, China: China's State Oceanic Administration (SOA) is being sued for allowing US oil major ConocoPhillips to resume production after spills off northern China in 2011, state media reported Monday.

[Train derailed in La., about 100 homes evacuated](#)

LAWTELL, La. (AP) — A train carrying hazardous materials derailed in Louisiana and two railcars were leaking chemicals, forcing the evacuation of about 100 homes, officials said. One man went to the hospital complaining of eye irritation.

More than 20 cars of the Union Pacific train went off the tracks about 3:30 p.m. Sunday near Lawtell, which is about 60 miles west of Baton Rouge. Company spokeswoman Raquel Espinoza said one of the railcars was leaking sodium hydroxide, which can cause injuries or even death if it is inhaled or touches the skin. The other was leaking lube oil.

[Duke Kills Florida Nuclear Project, Keeps Customers' Money](#)

The decision by Duke Energy to scuttle a proposed nuclear reactor project in central Florida leaves utility customers in the state with a tab of more than \$1 billion—most of it already paid to Duke—for unbuilt plants that may never produce a single kilowatt of energy. That's proven a powerful irritant for customers in the Sunshine State, where air conditioning is a necessity for much of the year.

[Automania Strikes Boomers Supplanting Kids as Buyers](#)

For generations, car buying declined as consumers entered their golden years. Now, boomers are refusing to follow their parents' lead and go quietly into the car buying night.

The 55-to-64-year-old age group, the oldest of the boomers, has become the cohort most likely to buy a new car, according to a new study by the University of Michigan's Transportation Research Institute. Graying boomers replaced the 35-to-44 year old age group, who were most likely to buy four years ago.

...“The car was a phenomenon of the 20th Century,” said John Wolkonowicz, a Boston-based automotive historian and a former Ford Motor Co. product planner. “For people who grew up and lived in the 20th century, the car was freedom, it was status, it was an extension of you, a visible expression of you and your personality. A 20-year-old doesn't see the car the same way.”

[Scandal in South Korea Over Nuclear Revelations](#)

SEOUL, South Korea — Like Japan, resource-poor South Korea has long relied on nuclear power to provide the cheap electricity that helped build its miracle economy. For years, it met one-third of its electricity needs with nuclear power, similar to Japan's level of dependence before the 2011 disaster at its Fukushima plant.

Now, a snowballing scandal in South Korea about bribery and faked safety tests for critical plant equipment has highlighted yet another similarity: experts say both

countries' nuclear programs suffer from a culture of collusion that has undermined their safety. Weeks of revelations about the close ties between South Korea's nuclear power companies, their suppliers and testing companies have led the prime minister to liken the industry to a mafia.

[IPO Boom Grows in Renewables as Dividend Yield Beat Bonds](#)

Wind and solar companies are tapping the stock market for cash at the fastest pace in two years, led by three initial public offerings in London luring investors with dividends that beat returns on government bonds.

[Hog Producers Battling to Contain Virus That Has Killed Piglets by the Thousands](#)

Though it is perhaps too soon to predict how the virus may affect the price of pork products, the epidemic has already caused economic hardships for individual farmers, particularly amid soaring feed prices caused by last year's drought.

An average farm with 2,500 sows could lose nearly every newborn for four weeks if it is hit with the virus, killing roughly 5,000 piglets and causing financial losses close to \$200,000. Adult pigs that recuperate typically build immunity to the virus, making recurring outbreaks rare.

[Beware the fossil fools](#)

By condoning ATV mayhem, the Forest Service has become a willing partner in climate change and ecosystem destruction. Multiple use is a joke when public-land managers allow a plague of motor toys to run roughshod over public lands, permitting the theme-park-like antics of the motorized minority to exclude quiet forest users from vast acreages.

The ATV craze reflects the overbearing myopia of American culture that demands entitlement to cheap fossil fuels and precious public lands at inestimable public cost to both resources. What we get is a spectacle of insensitivity, insensibility and profitability, all at the expense of sustainability.

[The land of green and money](#)

In 2008 the Canadian province became the first North American jurisdiction to introduce a carbon tax. Now a study has found that the levy has led to a big drop in fossil-fuel consumption and greenhouse-gas emissions without hurting the economy. And, to the delight of BC's citizens, it let the provincial government cut personal and corporate tax rates. Stewart Elgie, an economist at the University of Ottawa and lead author of the report, calls it a rare win-win.

[The rise and rise of American carbon](#)

Shale gas fracking has helped US carbon emissions to fall. But American carbon extraction is still rising, undermining progress and increasing emissions overseas.

[Global warming: The folly of certainty](#)

The debate about climate change, as it is currently conducted, focuses mainly on this question: Are we certain that the Earth is going to warm to a dangerous degree in the near future? Climate scientists have been struggling very hard to convince us all that they are certain, or at least nearly certain, but haven't succeeded all that well.

But that's really not the right question at all. To think that is the right question is to behave like Larry Jones. The right question is: Are we confident that the Earth is *not* going to warm to a dangerous degree in the near future?

[Can Farming Provide a Solution to Climate Change?](#)

Farming is one of the few human activities that can pull CO₂ from the atmosphere and store it safely.

[Climate change pushing marine life towards the poles, says study](#)

Rising ocean temperatures are rearranging the biological make-up of our oceans, pushing species towards the poles by 7kms every year, as they chase the climates they can survive in, according to new research.

[Seven facts you need to know about the Arctic methane timebomb](#)

So who's right? What are these Arctic specialists saying? Are their claims of a potentially catastrophic methane release plausible at all? I took a dive into the scientific literature to find out.

What I discovered was that Skeptical Science's unusually skewered analysis was extremely selective, and focused almost exclusively on the narrow arguments of scientists out of touch with cutting edge developments in the Arctic. Here's what you need to know.



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