



DrumBeat: April 5, 2007

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Topic: [Miscellaneous](#)

[Mexico Tries To Save Big, Fading Oil Field](#)

In March 1971, a Mexican fisherman named Rudesindo Cantarell took a few geologists from state-run oil company Petroleos Mexicanos to this spot, where he had seen oil slicks. Mr. Cantarell didn't know it, but he had stumbled across one of the largest offshore oil fields ever found.

A few decades and 12 billion barrels of oil later, the field that bears Mr. Cantarell's name is dying, and Pemex, as the state-owned company is known, is struggling to stave off the field's demise. From January 2006 though February 2007, Cantarell lost a staggering one-fifth of its production, with daily output falling to 1.6 million barrels from two million.

The oil industry was stunned. Cantarell, which currently produces one of every 50 barrels of oil on the world market, is fading so fast analysts believe Mexico may become an oil importer in eight years. That would batter Mexico's economy, which depends on oil exports to fund 40% of its government spending.

[Total, Qatar warn oil contractors on high costs](#)

French oil major Total and Qatar's energy minister on Thursday both warned service contractors they risked damaging the energy industry unless they moderated their fees.

Total Chief Executive Christophe de Margerie told an industry conference the level of price increases for hiring drilling rigs and building gas production facilities was unjustified, even allowing for tightness in the supply of the contractors' inputs.

[Electrifying Change](#)

The second obstacle is simply the condition of the electrical grid itself. The range of equipment nearing or beyond its projected service life is staggering: 70% of America's roughly 160,000 miles of high voltage transmission lines are 25 years or older-- as are 70% of the more than 63,000 transformers; further, 60% of the nearly 200,000 circuit breakers are at least 30 years old. Electro-mechanical analog switches are still the norm system-wide, which comes as a bit of a surprise considering the same kind of switch was

discontinued from use in television sets more than twenty years ago. Keeping such increasingly obsolete equipment operating, not to mention finding spare parts, has become such a major problem for the industry that investor-owned utilities.

[And Iraq's big oil contracts go to ...](#)

Despite claims by some critics that the Bush administration invaded Iraq to take control of its oil, the first oil contracts from Iraq's new government are likely to go not to U.S. companies, but rather to companies from China, India, Vietnam, and Indonesia.

[How Biofuels Could Starve the Poor](#)

Thanks to high oil prices and hefty subsidies, corn-based ethanol is now all the rage in the United States. But it takes so much supply to keep ethanol production going that the price of corn -- and those of other food staples -- is shooting up around the world. To stop this trend, and prevent even more people from going hungry, Washington must conserve more and diversify ethanol's production inputs.

[The problem with ethanol](#)

One might reference Kenneth Deffeyes's book (copyright 2005), "Beyond Oil," where on page 6 he states that, "A measure of the importance of oil and gas: 80 percent of an Iowa corn farmer's costs is, directly and indirectly, the cost of fuel." In addition, Deffeyes of Princeton University, states on page 8, "Concerns over ethanol and hydrogen as NET LOSERS: technologies that consume more energy than they produce," will be of great concern in just a few years."

[Is Big Oil Curbing Ethanol Growth?](#)

There is a very interesting story in the front page of Monday's Wall Street Journal about how Big Oil is proving to be an obstacle to the growth of Ethanol.

[Department of Defense Begins Testing of O2Diesel's New Alternative Fuel Blend](#)

O2Diesel Corporation (AMEX:OTD - News) announced today that it has begun field testing a new renewable fuel being developed for the U.S. Department of Defense. A demonstration fleet at Nellis Air Force Base in Las Vegas, Nevada, is now using the new fuel, O2Biodiesel, composed of 28% renewable sources -- ethanol, biodiesel, and the company's patented and proprietary biomass-derived stabilizing additive.

[Pakistan's electricity theft, system losses estimated at Rs80b](#)

Pakistan is losing Rs80 billion annually on account of electricity theft and system losses in the power sector. A day long workshop here yesterday called upon the government to reduce power losses to greatly overcome the growing power crisis in the country.

[Energy's Sweet and Sour World](#)

If you'd visited the Great Hall of the People in Beijing last week, you might have gained greater appreciation for China's increasing thirst for energy. There, an inauguration ceremony was held formalizing Chinese government approval of a pair of joint venture contracts that will vastly expand that nation's energy infrastructure.

Sri Lanka: [Kerawalapitiya power plant will help avert power crisis](#)

The open cycle operation of the 300 MW Combined Cycle Power Plant at Kerawalapitiya will start from July 2008 avoiding possible power shortages in the country, said Power and Energy Minister W.D.J.Seneviratne after signing Shareholders Agreement for the project at Taj Samudra Hotel, Colombo.

Minister Seneviratne revealed that the US\$ 306 million will have the lowest energy cost per unit out of all the thermal power plants in the country as it will operate on heavy fuel saving at least Rs ten billion annually.

[Ghana: Break Ghacem's Monopoly, Contractors Appeal to Govt](#)

Some local contractors have decried the hike in the price of cement in the country, and appealed to the government to facilitate the formation of a third cement factory to break Ghacem's monopoly.

The president of the Association of Building and Civil Engineering Contractors of Ghana (ABCECG), Mr. Samuel Obeng accused Ghacem of "hiding their frequent breakdowns and shortage of clinker to blame the energy crisis".

[Tidal Power: Can the East River Generate Electricity?](#)

Approximately 14 percent of all electrical power in New York State comes from hydropower. Many environmentalists believe that figure should be higher. They see hydropower as a way of reducing our reliance on the fossil fuels that contribute to global warming. In our ongoing series on how the New York region is preparing for climate change, WNYC's Beth Fertig looks at one small company that's now experimenting with a new form of hydro-electric power right in the East River.

[Iran's Pre-Emptive Strike](#)

No, I don't mean its arrest of fifteen British low-rank military people who were taking a boat ride in long-disputed waters dividing Iraq and Iran. That was just a bit of old-fashioned tail-twisting of the British lion, which has been close to toothless ever since 1945. I mean this:

Iran is planning to stop using the U.S. dollar to price oil, with less than half of its oil income now paid in the U.S. currency, Iran's central bank governor said.

[Opec idea to loom over gas producers meeting](#)

Big gas powers meet in Qatar on Monday when they are expected to tackle issues ranging from soaring production costs to whether they could ever set up a price-fixing cartel.

[Flying wind farms](#)



Power generation: If people object to wind farms cluttering up the countryside, one answer might be to put them in the air.

[India launches ethanol-blended petrol](#)

"The Ministry of Petroleum and Natural Gas has begun implementing 5 percent ethanol-blended petrol program in selective zones countrywide," a ministry spokesman said.

[Zimbabwe: Efficient Use of Electricity Crucial](#)

THE significant increase in power tariffs this week will help ensure all electricity users, particularly households, use electricity efficiently.

The Zimbabwe Electricity Regulatory Commission approved a 350 percent electricity

tariff increase, which will see domestic consumers paying a monthly charge of at least \$24 100 with effect from this month.

[Uganda: Diesel Shortage Bites Hard](#)

Industries start to feel the pinch of the fuel shortages as parts of Kampala will experience nightly power cuts and profiteers are charging up to 2,250 for a litre of petrol. Bugolobi, Industrial Area, Nakawa, Naguru and Kololo will experience power cuts every night due to the current diesel shortage, the electricity company Umeme has announced.

[Iran factor fails to put a lid on energy](#)

The Iranian threat to global energy supplies eased yesterday, but that did little to cool the energy sector -- evidence that the investment story runs deeper than short-term geopolitical risk.

A collection of other factors, ranging from U.S. driving habits to shifting currency markets to Nigerian politics to seasonal idiosyncrasies, are conspiring to support higher prices for energy commodities.

[Some Colorado Springs Gas Stations Short on Fuel](#)

The problem, she says is coming from out of state. A major gas supplier to Colorado Springs' vendors out of Texas is recovering from a fire. The resulting shortage in output leaves local stations high and dry.

[United States concerned with smuggling in Mexican trucks](#)

When a group claiming to be part of al-Qaida in Saudi Arabia called in February for jihadists to strike Mexican oil installations in a bid to cripple the U.S. economy, Mexico announced that its navy had gone on alert and had stepped up surveillance of offshore oil platforms and port facilities.

A month later, however, a McClatchy reporter was able to approach Mexican oil installations virtually unchallenged, raising questions about how secure Mexico's ports are from terrorist attacks.

[Oil Causes and Heals All Wounds](#)

Let's face it: Most of what goes on in the world of fossil fuel seems to bring out the worst in national governments and even non-political actors. Consider the siphoning of refined fuel from burst pipelines in Nigeria, persistent sabotage in Iraq's civil war, and China's obsession with snapping up every last available drop of crude no matter what unsavory alliances that requires.

[Stay on Track](#)

Americans made 10.1 billion trips on public transportation last year, the highest that ridership has risen in nearly half a century. That's good for congestion on the roads as well as the pollution that goes with it. But any mass-transit renaissance will come to a grinding halt unless a commensurate investment is made in upkeep and expansion.

Richard Heinberg: [The Future of Agriculture](#) - *Why Peak Oil & Pollution Mandate a New Farming Paradigm*

[Nuclear power revisited in state](#)

A small but growing movement to promote nuclear power construction, dormant for three decades, is working to overturn the state's ban on new reactors as worries about climate change have softened voters' opposition to new plants.

Tom Whipple - [The Peak Oil Crisis: The GAO Report](#)

Suppose the GAO staff really had studied and debated the evidence and concluded, as others have, that world oil production has already plateaued if not peaked. Suppose, they went on to say it is unlikely that world oil production will ever again increase significantly and that when you throw in all geopolitical factors – wars, insurgencies, expropriations, bad governments – the amount of oil available for importing countries is likely to drop sharply very soon.

If they were in a candid mood, the GAO could have added “and by the way, kiss any expectations of robust economic growth you might have goodbye.” It simply is not going to happen for a long, long while.

[OPEC: High oil prices caused by geopolitical, not supply concerns](#)

High oil prices are being caused by geopolitical tensions and not by a lack of supply, OPEC ministers said on Thursday.

[Crude Oil: Spring Break - April Gasoline Demand Should Rise](#)

Once again "Spring Break" is upon us, an annual rite for thousands of college students, families and others who partake in a southward migration to the warm weather, sunny days and ocean breezes that have always been the major lure for those wanting to escape the memory of winter. While some people opt for ocean cruises, others spend their time visiting theme parks or just lying on the beach. Regardless of the type of activity, getting there usually involves a car. With this mass migration occurring mostly during April, it would be logical to expect April gasoline demand to show a seasonal rise over March levels.

[Explosion strikes oil pipeline in Iraq](#)

A bomb struck an oil pipeline Thursday, cutting off supplies and causing a huge fire in southern Iraq near the border with Kuwait, an official said.

The pipeline carries oil from surrounding fields to storage tanks in Basra for export to the Gulf region, according to the official with the South Oil Co. But he said the tanks were full and export supplies had not yet been affected.

[Shell to raise Nigerian oil production](#)

A year after being forced to shut down more than half of its oil output in Nigeria because of militant violence, Royal Dutch Shell said it expected to resume full production within the next "five to six months," after agreeing with local communities that it could safely return to the Niger Delta.

[Saipem awarded onshore, offshore contracts worth 1 bln](#)

The Saudi Arabian onshore contract, expected to be completed in the second half of 2008, was awarded by Saudi Aramco to a 50-50 joint venture between Saipem and Canada's SNC-Lavalin for water injection pump station facilities, aimed at increasing production at the Khurais oil field.

[Despite belief in peak oil, Pickens still believes in oil and gas](#)

"Yes, I believe in peak oil," he told moderator Hoxie Smith, director of the college's Petroleum Professional Development Center. "(Longtime peak oil predictor) Matt Simmons and I talked today and we're on the same team. If, as (oil analyst and author) Daniel Yergin believes, there's so much more oil left, why doesn't oil production move up instead of staying flat? Global demand is 85 million barrels, or 31 billion barrels a year. The world hasn't replaced the oil it's been producing since 1985. So if there's so much oil left, I don't understand why production hasn't gone up. All the big fields are declining and all the current drilling does no more than hold off the decline. So the next step is decline. We can't hold on to 85 million barrel a day production."

[Australia 'can't defend' Antarctic oil](#)

AUSTRALIA claims almost half of Antarctica but has negligible capacity to fend off an interloper intent on seizing territory or pirating resources.

A paper released today by the Australian Strategic Policy Institute (ASPI) said Antarctica was effectively demilitarised, peaceful and with a ban on mineral resource exploration until 2048.

But attitudes could change quickly, especially as the world runs short of oil.

[The Energy Enigma](#)

There are two uncomfortable facts that Europeans have to face up to when dealing with the question of energy. The first is that since 1999 the price of oil has tripled; the second is that Europe doesn't have a clear energy policy, this despite recent attempts to formulate one. Aside from the special provisions for coal and nuclear power in the treaties, the E.U. as a whole has hardly addressed issues of energy sources and security of supply. And yet the E.U. already imports half of its energy. By 2030 that figure is set to rise to 70 percent.

[Mars in global warming debate](#)

CLIMATE change sceptics have seized on news that Mars is heating up to back their claim that humans are not causing Earthly global warming.

[Faced with a lack of energy options, Thailand looks to coal](#)

The world's dirtiest fuel may be the country's best hope to ensure future energy security.

George Will: [Save the panic for an actual oil crisis](#)

Today, as the price of a gallon of regular (\$2.70 nationally on Monday) "soars" almost to where it was (measured in constant dollars) in 1982, the "news" is: "Drivers Offer a Collective Ho-Hum as Gasoline Prices Soar" (The New York Times, last Friday). People are not changing their behavior because the real, inflation-adjusted cost of that behavior has not changed significantly, and neither has the cost of the commodity in question, relative to disposable income.

[Oil and gas supply squeeze looms](#)

A looming tightness in oil and natural gas supplies across North America promises to mitigate the threat of impending carbon emission taxes on oilpatch profits, a CIBC World Markets analyst said Tuesday.

[Arizona economists say Iraq exit alone unlikely to impact oil prices](#)

Republicans -- including Arizona Sen. John McCain and Phoenix Congressman John Shadegg -- warn that a U.S. withdrawal from Iraq will destabilize the country and could spill over to other oil-rich Middle Eastern markets.

But economists say a U.S. exit from Iraq is unlikely to push gasoline and crude oil prices higher in the long-term unless the Iraqi turmoil escalates or hits Saudi Arabia or other major Middle Eastern oil producers.

[Giuliani: New Gulf Oil Drilling Needs Discussion](#)

Republican presidential candidate Rudy Giuliani on Wednesday said everything has to be considered if the United States wants to break its reliance on foreign oil, including more drilling off Florida's coast.

[Enbridge eyes Gulf route](#)

Enbridge Inc. is accelerating plans to satisfy a growing thirst for Canadian crude among refineries on the U.S. Gulf Coast and would rather buy existing assets in the United States than build a \$4-billion direct pipeline link between Alberta and Texas.

[Mideast Risks High in Oil Market Despite UK-Iran Resolution](#)

Iran's plan to release 15 U.K. sailors and marines led to a selloff in oil prices Wednesday but it hardly lessens traders' worries about instability in the Middle East.

If anything, the 13-day standoff between Iran and the U.K., which led to a sharp spike in oil prices and a drag on other markets, has renewed the focus on political risk related to the Middle East and other oil-producing regions.

[UN panel poised for bleak report on climate](#)

Top scientists on Thursday were putting the finishing touches to a landmark report set to declare that climate change is already discernible and could wreak devastation to

human settlement and wildlife this century.

Damage to Earth's weather systems from greenhouse-house gases will change rainfall patterns, punch up the power of storms, boost the risk of drought, flooding and water stress and accelerate the existing meltdown of glaciers and erosion of ice sheets, the report will say.

[UK policy body wants health warnings on flights](#)

Advertisements for flights, or holidays that include flying, should carry a tobacco-style health warning to remind people of the global warming crisis, a leading British think-tank said on Thursday.



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