



DrumBeat: December 22, 2008

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Topic: [Miscellaneous](#)

[Pemex Oil Output Falls 6.5% to 2.711 Million Barrels a Day](#)

(Bloomberg) -- Petroleos Mexicanos, the state-owned oil company, said crude oil output fell 6.5 percent in November from the year-earlier period as production at its Cantarell field declined at a faster-than-expected rate.

Production dropped to 2.711 million barrels a day, from 2.901 million barrels a day a year earlier, the company known as Pemex said today on its Web site. In an e-mail, Pemex cited Cantarell, its largest field, as the reason for the drop.

...Cantarell's output fell 33 percent, more than twice as fast as government estimates, to 862,060 barrels a day from a year earlier. Declining pressure at Cantarell has made it more expensive and harder to continue pumping oil from the offshore deposit.

Cantarell accounted for 32 percent of Pemex's total output, half of the 65 percent it once represented at its peak.

Oil exports fell 20 percent to 1.511 million barrels a day, according to a chart on Pemex's Web site.

[Mexico Looks To Buck Global Oil Trend By Raising 09 Spending](#)

MEXICO CITY -(Dow Jones)- Oil firms from offshore Louisiana to Middle Eastern deserts are cutting back during the price collapse, but oil-hungry Mexico is spending as if the boom is just starting.

In Mexico, oil exports will run out in less than seven years at current decline rates, and the urgency to reverse the sharp fall has created a flurry of activity in Mexico's oil patch.

[Fatih Birol interview on Youtube for the film "PetroApocalypse Now?"](#)

In this 40 minute exclusive interview for my film "PetroApocalypse Now?" I interviewed Fatih Birol, Chief Economist of the IEA about reserves, the USGS, technology, demand and recession, solutions and peak oil.

[Shell Says 'Risk-free' North Sea Still Vital](#)

Shell's UK chairman has pledged the oil major's continuing commitment to the North Sea despite his belief that more than half the area's natural reserves have been produced.

James Smith told The Scotsman that the fact that there was still a "low risk" in operating in the North Sea compared with some regions of the world also remained a big plus for the major explorers.

[The Last Traffic Jam](#)

Unless we exercise foresight and devise growth-limits policies for the auto industry, events will thrust us into a crisis that will lead to a substantial erosion of our domestic oil supply as well as the independence it provides us with, and a level of petroleum imports that could cost as much as \$20 to \$30 billion per year. (This in turn would produce a staggering balance-of-payments problem for the United States, and give the Middle Eastern suppliers a dangerous leverage over our transportation system as well.) Moreover, we would still be depleting our remaining oil reserves at an unacceptable rate, and scrambling for petroleum substitutes, with enormous potential damage to the environment.

[Indonesia: Gas Shortage Pushes Prices Higher](#)

Jakarta: Retail vendors in Jakarta were in short supply of Liquefied Petroleum Gas for household consumers as shortage widens to reach the capital city. Shortage in various part of the country were reported months before the problem emerged in Jakarta.

[Iran set to build 5 new nuclear reactors](#)

Iran's Atomic Energy Organization (AEO) says the country plans to construct five additional nuclear reactors in the next five years.

AEO Deputy Head Mohammad Qannad revealed Sunday that the agency has been tasked with meeting 10 percent of the country's energy demand -- approximately 20,000 megawatts -- through nuclear energy in the near future.

"For the next five years, Iran plans to produce 5,000 megawatts of [nuclear] energy," he added.

[Bushehr nuclear plant's completion could be delayed - Iranian FM](#)

TEHRAN (RIA Novosti) - The completion of the \$1 billion Bushehr nuclear power plant, being built by Russia in southern Iran, could be subject to delays, an Iranian Foreign Ministry spokesman said on Monday.

[Over a barrel](#)

The plunging oil price is like a dangerously addictive painkiller: short-term relief is being provided at a cost of serious long-term harm.

It took more than four years for oil to go from \$35 per barrel in 2004 to over \$147 in July 2008, and less than six months to fall all the way back again.

For hard-pressed businesses and consumers in the US, Europe and other oil importers, the price collapse has been one ray of light in an increasingly gloomy economic outlook.

But it has also caused a seismic shock to the energy industry worldwide, re-shaping it in ways that will often be unwelcome for oil consumers.

See also: [Oil price at which fuel sources become economically viable](#)

[Flying J files for bankruptcy](#)

Flying J. Inc., which operates 250 travel plazas and fuel stations across the country, on Monday filed for bankruptcy, citing a cash shortage brought on by plummeting oil prices and problems getting credit.

...The company is seeking protection from creditors after facing "an unprecedented combination of factors," said J. Phillip Adams, Flying J CEO and president.

He cited a precipitous drop in the price of crude oil and a lack of available financing from its usual lending sources.

[Fuel nearly ran out](#)

GUERNSEY came within days of running out of fuel before the States took control of the supply chain, it emerged at the weekend.

Policy Council sources indicated that stocks of petrol and heating oil were at one stage down to three to four days before the crisis was resolved.

A news blackout was imposed by senior politicians and the fuel suppliers to prevent panic buying. The fear was that unnecessary topping up of cars and oil tanks would have triggered an actual shortage.

The problem was caused by administrators impounding the two ships owned by Swedish firm Svithoid Tankers after it collapsed to prevent the assets from being lost to

them.

[StatoilHydro Terminates Rig Tender for Norwegian Continental Shelf](#)

StatoilHydro is terminating its procurement process for rig hire for operations on the Norwegian Continental Shelf due to high rig rates.

"We focus on reducing costs and making strict priorities," said Anders Opedal, head of procurements in StatoilHydro.

[Australia: Petrol stations run dry](#)

A NUMBER of Caltex service stations across the Gold Coast have run dry as the fuel shortage continues.

But the worst may be yet to come as the service stations say they do not know when their tanks will be re-filled, with some already cutting back staff hours.

[Petrobras' Oil Output Down 1.5% in November](#)

Petrobras' average oil production in Brazil was 1,844,940 barrels per day in November, 4.6% more than a year ago and a slight 1.5% decrease compared to October 2008. Natural gas production, also in domestic fields, averaged 51.241 million cubic meters per day, 16.7% above November 2007 and 4.8% more than a month earlier. Production in November was lower due to the scheduled shutdowns at platforms operating in the Northeastern Pole of the Campos Basin, which are already running normally again.

[Iranian official pledges no stop of fuel oil export](#)

TEHRAN (Xinhua) -- An Iranian official has pledged that the country would never stop its fuel oil export, the semi-official Fars news agency reported on Monday.

"The export of this product will not be stopped under any circumstance," Farid Ameri, Managing Director of the Oil Products Distribution Company, was quoted as saying.

Ameri's remarks came in response to some foreign media reports that Iran would stop the export of fuel oil in winter to meet its local power plants' demands.

[Kyrgyzstan: Water Shortage Ratchets up Social Tension](#)

As if electricity blackouts weren't bad enough, now residents in rural Kyrgyzstan are having difficulties accessing water. Without electricity, Kyrgyzstan's new water pumping system is inoperable; and some pumps have been damaged by the irregular supply of power.

"The energy crisis and the drinking water supply have a direct connection. If there is no electricity, in most cases it means there is no water," Talant Ormushev, head of production at the Department of Rural Water Supply, told EurasiaNet.

[Will crude oil price crash help plastics industry?](#)

Can the crash in crude oil prices help the plastics industry? The input cost for plastics-- crude oil-- has collapsed. But the demand for plastics has also drastically come down.

[Japan Oil Imports Fall 17% as Recession Damps Demand](#)

(Bloomberg) -- Japan's crude oil imports fell for the first time in three months as exports plunged to a record in November, cutting consumption by the world's third-biggest user.

Japan imported 17.7 million kiloliters, or about 3.71 million barrels, a day of crude last month, down 17 percent from a year earlier, the finance ministry said in a preliminary report released in Tokyo today. Imports of liquefied natural gas decreased 5.9 percent to 5.24 million metric tons.

Japan's total exports fell 26.7 percent in the month, the finance ministry said, marking the sharpest decline since data were made available in 1980. Stagnant demand has forced Nippon Oil Corp., the country's largest refiner, and other local oil companies to slash output. Utilities cut generation for a fourth month in November as the recession reduced electricity use.

[Russia's oil companies face short-term crunch](#)

ANALYSIS: In the short term, Russia's leading oil companies are facing a cash squeeze caused by falling crude and petrol prices. This decline has been exacerbated by the impact of export duties, which had been set for two-month periods (although the Kremlin has now reduced this time frame to one month). This meant that when oil prices fell, the duty paid on exports became a much higher proportion of the prices actually realized, and margins were severely reduced. Producers with no spare refining capacity either took a potential loss, or tried to sell crude in the oversupplied domestic market, where prices have consequently been even more depressed.

[Russia may rethink debt stance if oil below \\$30](#)

MOSCOW (Reuters) - Russia may reconsider its debt strategy if oil prices remain below \$30 for a long time, Deputy Finance Minister Dmitry Pankin said on Monday.

'At the moment our debt strategy does not include external borrowing. But if the price of oil remains...below \$30 for a long time, we do not exclude that we may have to reconsider our debt strategy,' Pankin told a news briefing.

[Russia warns energy supplies to Europe at risk in Ukraine dispute](#)

Moscow - Russian gas export monopoly Gazprom Monday warned European customers of a potential shortage in gas supplies, as it has hit a deadlock in a pricing dispute with Ukraine.

[Australia: No profiteering, but big oil still dominates](#)

THE "Big Four" oil companies did not use price rises in 2008 to increase their profit margins, a report by the Australian Competition and Consumer Commission has found.

But the dominance of Shell, BP, Caltex and Mobil over the wholesale trade has caused alarm for the petrol commissioner, Joe Dimasi, who said the concentration of imports may affect competitiveness in the future.

[Ike damage to delay Exxon facility start-up](#)

NEW YORK (Reuters) - Hurricane damage discovered at Exxon Mobil Corp's (XOM.N) \$1 billion natural gas terminal under construction in Texas will postpone the facility's start up, according to a report in the online edition of The Wall Street Journal on Saturday, citing people familiar with the matter.

The liquefied natural gas, or LNG, facility in southeast Texas was damaged by seawater from Hurricane Ike nearly three months ago and assessing damage has taken time, it said.

[Oil's origins revisited](#)

Once upon a time, clever people scared themselves by trying to predict the end of the world. Sir Isaac Newton's best estimate, for example – recently uncovered in archived manuscripts – was some time in the year 2060.

Today smart people seem intent on scaring all of us by trying to predict an event no less apocalyptic for modern economies: the arrival of "peak oil", after which output of crude oil falls into terminal decline.

[Can OPEC Save the World Economy?](#)

After the Peak Oil plateau, from 2010, we will move into the post-plateau downslope in world oil availability. Average annual long-term loss will likely run at about 4% by volume, and about 6% annual for export volumes, specially due to the immoderate appetites of oil producer countries – who actually use the stuff themselves ! According to the IBRD's Global Economic Prospects 2009 world oil reserves are (I cite) 'incredibly stable' at approximately 40 years-equivalent of current demand. Confusing this with 'abundance', by design or ignorance, will in no way ensure adequate world oil supply. The World Bank, to be sure, likes to maintain the folksy notion that present production will stay rock solid for exactly 40 years, then fall to zero in an instant! In fact the Consumer Herd will soon face, and adapt to ever-declining annual export supply because there is No Alternative.

[Cramer's Solution for \\$150 Oil](#)

Cramer has a plan to make sure the U.S. never again suffers \$4 gasoline. Barack Obama should, as one of his first acts as president, build storage facilities – tankers, tanks, whatever is needed – and buy a vast reserve of oil at these low prices.

Let's face it, \$34 crude just isn't going to last. So the new president needs to take advantage of oil's tremendous decline and buy as much of the commodity as the U.S. can hold, Cramer said. Drilling doesn't make economic sense at these levels. But we can buy oil on the open market right now and store it for later use.

[Lower gas prices won't last forever, economists warn](#)

"As soon as the world economy turns around, then prices will shoot higher again," said economist Ken Mayland of ClearView Economics LLC in suburban Cleveland. "As soon as those economies pick back up, we're going to be right back in the soup."

Mr. Mayland is talking about the economic theory of peak oil, the belief that oil production will or already has reached its maximum, and that as production declines, prices will rise accordingly. Peak oil theory, first proposed in 1956, may play out in a series of wildly speculative price swings that grow increasingly volatile over time, proponents say.

"World crude oil production stopped growing in 2005. It's hard to hide that one behind the curtain," argues Ken Deffeyes, professor emeritus of geology at Princeton University and a longtime proponent of the peak oil theory.

[Big oil wants more renewables](#)

Both oil producing and consuming countries were represented at the meeting on Friday, December 19 which was principally about stabilizing energy markets in today's turbulent world economy.

But with peak oil looming ever larger on the horizon, even countries that rely heavily on oil revenue acknowledged that a greater uptake of renewables world wide would be of value to everyone.

[Australia - A Future Saudi Arabia of Coal?](#)

Imagine a peak oil world - which isn't too far off according to the International Energy Agency. Perhaps we'll all be driving electric cars by then, recharged via our rooftop solar systems. Or perhaps they'll be powered by liquid coal fuels.

While abundant, coal generates 25 to 50 percent more carbon dioxide per energy unit than petroleum according to the IEA. Everything to do with coal is essentially an environmental nightmare, from the mining through to combustion.

[Impostor disrupts lands bid](#)

He didn't pour sugar into a bulldozer's gas tank. He didn't spike a tree or set a billboard on fire. But wielding only a bidder's paddle, a University of Utah student just as surely monkey-wrenched a federal oil- and gas-lease sale Friday, ensuring that thousands of acres near two southern Utah national parks won't be opened to drilling anytime soon.

Tim DeChristopher, 27, faces possible federal charges after winning bids totaling about \$1.8 million on more than 10 lease parcels that he admits he has neither the intention nor the money to buy -- and he's not sorry.

[Climate change could one day doom "white Christmas"](#)

"The probability of snow on the ground at Christmas is already lower than it was even 50 years ago but it will become an even greater rarity many places by the latter half of the century," said Friedrich-Wilhelm Gerstengarber, climate researcher at the Potsdam Institute for Climate Impact Research. In the northern German city of Berlin, for instance, the chances of snow on the ground on December 24, 25 and 26 have fallen from 20 percent a century ago to approximately 15 percent in 2008, he said. By 2100 the odds will be less than 5 percent.

[Melting Yosemite glacier an omen of climate change: More water runs off Mt. Lyell than can be replaced by snow](#)

As signals of climate change begin to come into focus in the Sierra Nevada, its melting glaciers spell trouble. Not only are they in-your-face barometers of global warming, they also reflect what scientists are beginning to uncover: that the Sierra snowpack -- the source of 65 percent of California's water -- is dwindling, too.

More of the Sierra's precipitation is falling as rain instead of snow, studies show, and the snow that blankets the range in winter is running off earlier in the spring. And snow in the Sierra touches everything. Take it away and droughts deepen, ski areas go bust and fire seasons rage longer.



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