



DrumBeat: January 5, 2009

Posted by [Leanan](#) on January 5, 2009 - 9:45am

Topic: [Miscellaneous](#)

[US drilling outlays soar to \\$226.4 billion in 2007](#)

-- US oil and gas drilling expenditures soared to a record \$226.4 billion in 2007, more than doubling the previous record of \$109.8 billion a year earlier, the American Petroleum Institute said on Jan. 5.

API said the Joint Association Survey of Drilling Costs for 2007, the latest year for which figures are available, showed that records also were set in average costs per well and per foot.

Average costs per US oil well grew 82% to \$4 million in 2007 from \$2.2 million, while per foot costs climbed 78% year-to-year to an average of \$717 from \$412, according to API. It said that average costs per domestic natural gas well rose 105% to \$3.9 million in 2007 from \$1.9 million in 2006 as average costs per foot grew 74% year-to-year to \$604 from \$348.

Total oil well expenditures jumped 94% to \$72.3 billion in 2007 from \$37.3 billion in 2006, while gas well expenditures grew by nearly 101% to \$119.1 billion from \$59.3 billion, API said.

[Credibility Freeze](#) - *Russia's gas cut-off will damage further its credibility as a supplier*

For five days argument has raged, tensions have risen and millions in southeastern Europe have shivered. Russia's abrupt shut-off of all gas supplies to Ukraine echoes the pipeline row of three years ago. As in 2006, winter is adding urgency to a commercial spat that has become a political confrontation. The argument should strengthen the resolve of all Europeans to lessen their dependence on Russia for vital energy supplies.

[Backyard bliss may soon be a memory](#)

THERE are two Sydneys of the future. In one we build on empty paddocks 45 kilometres from the CBD, where workers wake before dawn to spend hours in traffic driving to work.

In the other we abandon the McMansions of Kellyville - and our cars - in favour of high-

rise apartment living and subway transport.

[Peak Oil And The Century Of Famine](#)

Depletion of oil and other fossil fuels will greatly affect food production. In terms of its effects on daily human life, in fact, the most significant aspect of oil depletion will be the lack of food. "Peak oil" is basically "peak food." There will be severe problems with transportation (e.g., shortages of diesel fuel and asphalt) and communication (e.g., sources of electrical power), as well as with more immediate aspects of getting crops to grow (e.g., the use of fertilizer and pesticides, and the availability of irrigation). Crop yield-per-hectare is far lower in societies that do not have fossil fuels or modern machinery. Maize production, for example, declines by about 80 percent in the absence of modern technology, as David Pimentel notes in "Food and Energy Resources." We should have no illusions that several billion humans can be fed by "organic gardening" or anything else of that nature.

[The Sun will Continue to Shine...](#)

To summarize, a few felt that it is already too late, doomsday is destined to come, and maybe soon. A few more are reconciled to a lower standard of living. Some believed that monumental changes might still be possible, but we need inspired leadership and major structural adjustments to government. My latest response to one such input follows:

[Couldn't decide whether the oil prices are high or low?](#)

For peak oil camp, the production peak has already been arrived or is about to arrive. So the price catastrophe is very close. We should get ready to see high prices.

IEA's chief economist Fatih Birol, however, claims that prices of \$50 per barrel is too high. This is five times the average production cost per barrel.

[Coal plant project threatened by partnership breakup](#)

A coal-fired power plant project that Georgia environmental advocates are trying to stop in court may fall victim to a business decision.

..."The development landscape has changed significantly since we agreed to enter into the development joint venture," Dynegy President and CEO Bruce Williamson said in a prepared statement. "Today, the development of new generation is increasingly marked by barriers to entry including external credit and regulatory factors that make development much more uncertain."

[Auto sales plunge again in December](#)

NEW YORK (CNNMoney.com) -- The nation's six largest automakers all reported December sales declines of more than 30% Monday, capping the industry's worst year since 1992.

Of the major automakers, Chrysler LLC took the biggest hit in December. Sales fell 53% from year-ago levels, worse than the 46% drop forecast by sales tracker Edmunds.com.

[Saudi Arabia announces discovery of eight new fields of oil, gas](#)

SAUDI ARABIA. The world's top oil exporter Saudi Arabia said on Monday it had discovered five new oilfields and three gasfields in the Eastern Province, the state news agency SPA reported.

Four of the oilfields were on land and one was offshore, Oil Minister Ali al-Naimi said in a statement carried by SPA.

He named as the wells as Jaouf-11, Ramthan-9, Nayashen-1, Jarid-11, Jarid-101 and Khursaniya-114. In test drilling the biggest producing wells were Jaouf-11 at 2,551 barrels a day and Nayashen-1 at 2,076 bpd. The three gasfields, Arabiya-1, Rabib-1, Hisbah-16, are all offshore, he said.

...The recent decline of crude oil prices as well as the increased investment in exploration and new field finds has pushed industry analysts to re-think global peak oil, or the idea that global production is near an apex after which it will decline sharply.

[Oil settles above US\\$48 a barrel on unrest in the Middle East](#)

SIOUX FALLS, S.D. - Israel's ground offensive in Gaza and a dispute between Ukraine and Russia over gas imports pushed oil prices above US\$48 a barrel Monday, but some analysts say there's more than just unrest in the Middle East behind the rally.

Light, sweet crude for February delivery rose \$2.47 cents to settle at \$48.81 a barrel on the New York Mercantile Exchange.

[China plans to exploit weak energy markets](#)

Beijing: China will take advantage of falling oil prices to boost imports and build up its fledgling oil reserves against supply shocks, a top official said in a rare disclosure of energy strategies in the wake of the global economic turmoil.

Zhang Guobao, head of the National Energy Administration, said in remarks published

yesterday that China would actively push forward construction of the second phase of state strategic oil reserves, having largely completed the first.

[Chavez Says He'll 'Protect' Dollars Amid Drop in Oil](#)

(Bloomberg) -- Venezuelan President Hugo Chavez said he'll take steps to save dollars as a tumble in oil curbs the South American country's export revenue.

The government reduced the allowance given to each citizen to buy dollars for travel abroad at the officially pegged exchange rate on Dec. 31, in part because people would illegally stage fake vacations to obtain foreign currency, Chavez said in comments broadcast by state television.

[As oil and economy tank, Russians become fearful](#)

There are many oft-quoted indicators of Russia's suffering economy — the nation's international reserves have fallen by more than 25 percent since August; the major stock indices recently plummeted by 70 percent; and the ruble has been sliding — it's now selling at exchange houses for about 30 to the dollar, compared with 23.5 five months ago.

Beyond those figures and the analysis of financial experts, however, on the streets of Moscow — a city that has known much tumult during the past century — there is for many Russians a deep sense of fear, a feeling of being underneath a gathering dark wave of hard economic times.

[Analysts think Exxon Mobil will buy Royal Dutch Shell](#)

Exxon Mobil is sitting on a massive pile of money.

Thanks to record oil prices over the last few years and a cautious investment strategy that drew fire from critics, the company has nearly \$40 billion in cash reserves. It has another \$225 billion in repurchased stock tucked away for a rainy day.

That's enough money to pay a nearly 60 percent premium, in cash, for every share of its next largest competitor - Royal Dutch Shell.

[Japan Geothermal Projects Pick Up After 20 Years: Report](#)

TOKYO - Several Japanese firms will kick off new projects to build geothermal power plans this year for the first time in nearly two decades, the Nikkei business daily

reported on Saturday.

[Citgo pulls out of low-income heating oil program](#)

BOSTON (AP) — Citizens Energy Chairman Joseph Kennedy says Citgo has suspended its free heating oil program for low-income residents.

Kennedy said Monday the Venezuelan government's Texas-based oil subsidiary cited falling oil prices and the world economic crisis for forcing the company to reevaluate all of its social programs.

[Times of low oil prices](#)

The goal that the Venezuelan basket of crude oil and derivatives averages USD 60 in 2009 in order to balance public accounts somehow appears highly unlikely to meet in this fiscal year, when a new election, inflation rates spiraling up and the sacrifices typical of a lean period are expected.

After the weekly average price exceeded USD 126 per barrel last July, the Venezuelan crude oil has plummeted. This is a matter of concern for financial authorities, but particularly for Venezuelans in general, as they know that a belt-tightening period follows when oil prices starts to plummet.

[Pdvsas refining capacity tumbled 5.6 percent](#)

State-owned oil company Petr leos de Venezuela (Pdvsas) processed less crude in the domestic and international refining circuits. Based on the operational and financial report released by the holding, the total volume stood at 2.41 million bpd of oil between January and September 2008.

The figure represents a 5.6 percent drop compared to the same period in 2007, when it was 2.55 million bpd.

[UBS downgrades 10 oilfield service names](#)

(MarketWatch) -- UBS on Monday downgraded 10 oil service stocks to buy from neutral, leaving six buy ratings of the 23 stocks it covers from the sector. UBS cited lower rig counts, scarce credit and lower day rates.

[Honda Says U.S. December Sales Declined 35% as Industry Plunged](#)

(Bloomberg) -- Honda Motor Co., Japan's second-largest automaker, said U.S. sales fell 35 percent in December, dragging the company to its first annual decline in the market since 1993.

Sales dwindled to 86,085 cars and trucks, from 131,792 a year earlier, a spokesman, Chris Martin, said today in an interview.

[Ford's U.S. sales dropped 32 percent in Dec.](#)

DETROIT - Ford's U.S. sales dropped 32 percent in December, the automaker said Monday.

[Petrobras: 1 worker dead in offshore accident, oil production halted](#)

RIO DE JANEIRO, Brazil — Brazil's state-run oil company says an accident on an offshore platform left one worker dead and halted production.

[Behind the Russia-Ukraine Gas Conflict](#)

Economics and politics drove Gazprom's decision to shut off gas to its neighbor.

[Canadian consults Norway on oil wealth](#)

EDMONTON, Alberta (UPI) -- The provincial minister of finance for the Canadian province of Alberta is seeking advice from Norway on handling billions of dollars in oil revenue.

[Calls to use oil as weapon in Gaza fight fall flat](#)

DUBAI, United Arab Emirates — The call to use oil as a weapon against Israel's friends once would have echoed in capitals across the Middle East and struck fear in the West's heart. But even as the crisis in Gaza deepens, threats of an embargo by some officials in Iran and Bahrain are falling flat.

Key Persian Gulf producers like Saudi Arabia and even top officials in the countries behind the calls are keeping quiet, mindful that the latest Mideast flare-up is just one of a number of global conflicts on jittery traders' minds.

The shift — plus low oil prices in recent months and memories of the sharp drop in demand after the last Arab oil embargo — reflects a realization that angering key Western customers could endanger regional hopes for continued development.

[Putin orders further cuts in gas pumped via Ukraine](#)

Russian Prime Minister Vladimir Putin on Monday ordered gas giant Gazprom immediately to cut gas pumped via Ukraine to Europe in response to Ukraine's alleged siphoning from pipelines.

"Start reducing it from today," Putin told Alexei Miller after the Gazprom chief informed him of a plan to cut volumes of natural gas shipped through Ukraine by amounts equivalent to those Moscow has accused Ukraine of stealing.

[RCMP investigate fourth pipeline bombing in B.C.](#)

The site of what appears to be a deliberate explosion was discovered on Sunday after Encana gas line workers located the partial destruction of a metering shed at a well head site near the community of Tomslake, B.C.

[Oil markets in 2009](#)

In light of the important and serious changes in the global economy today, wide-ranging views and expectations surface and vary on oil market trends in 2009. On the one hand, there are those who believe that bad and serious news has quickly piled up in the end of 2008, and that the situation is likely to improve in the coming 12 or 14 months, i.e. in 2010, thanks to the quick measures taken by the concerned governments and central banks. This group seems optimistic that oil markets and prices are going to improve in the foreseeable future. On the other hand, there are those who believe that we are ahead of an entire collapse of the global economic system, and that the mammoth solutions ratified quickly vis-à-vis the past, will fail to stop the crisis' effects from lasting for many years. This means we will continue to suffer from their consequences until 2014 at least.

[Chesapeake Sells More Assets, raises \\$412 million](#)

NEW YORK (Reuters) - U.S. natural gas producer Chesapeake Energy Corp said on Monday it raised \$412 million from the sale of gas output and assets in the Anadarko and Arkoma basins to investors of Argonaut Private Equity.

...Chesapeake, which became the largest U.S. gas producer in 2008, has announced budget cuts four times in recent months as the steep selloff in gas prices and its aggressive land purchases forced the company to raise cash.

[OPEC Will Make Planned Production Cuts, Official Says](#)

(Bloomberg) -- OPEC is likely to make all the oil production cuts promised at its last meeting, causing global crude stockpiles to fall this quarter, an official from a Persian Gulf member of the group said.

Full implementation of the 4.2 million-barrel-day reduction in supplies will send inventories below their five-year average, said the official with direct knowledge of OPEC's deliberations, declining to be identified by name because he isn't authorized to speak publicly. It's unlikely the group will meet before its scheduled meeting on March 15, he said.

[Sagia: Oil price drop will not hinder Saudi development](#)

A declining oil price will have little impact on development plans for Saudi Arabia this year, according to a senior executive at the Saudi Arabian General Investment Authority (Sagia).

[Hot Spots: Iraq](#)

Iraq is the war that everyone wants to forget. Unfortunately, it is too important for the United States to do so. Because of Iraq's location amid the Persian Gulf oil fields, its long-term stability remains a vital interest of the U.S. Moreover, everything else that the United States must accomplish in the Middle East requires stability in Iraq. If Iraq collapses back into civil war—unfortunately still a very real possibility—it will undermine every other American policy initiative in the region and could exacerbate the global economic crisis by sparking another oil shock.

[Gazprom plans to sue Ukraine for breaching gas transit contracts](#)

PARIS (Itar-Tass) -- The Russian gas giant Gazprom intends to sue Ukraine in order to make the country fulfill its liabilities for Russian gas transit supplies, Deputy Chairman of the Gazprom Board Alexander Medvedev said here on Monday.

[Russia Pushes To Grow Gazprom's Reach, Control](#)

Three years after Russia shut off natural gas supplies to Ukraine and raised fears of an energy crisis in Europe, the same thing has happened again. The crisis brings renewed attention to Russia's huge state gas monopoly, Gazprom, and its role in the Kremlin's foreign policy.

[Swedes may help resolve Ukraine's gas bill](#)

STOCKHOLM, Sweden (UPI) -- The dispute between Russia and Ukraine over a natural gas bill may be headed to a Swedish arbitration group, reports said.

Two German newspapers reported Russia's state-run energy company Gazprom has said it was willing to settle the dispute through the Arbitration Institute of the Stockholm Chamber of Commerce, Swedish news service Tidningarnas Telegrambyra reported Monday.

[Russian gas export pipelines](#)

Russia's gas monopoly Gazprom supplies one quarter of Europe's gas needs.

This is how the gas gets to Europe from Russia and some of the new pipeline projects aimed at bringing more Russian gas to Europe and diversifying supplies.

[The Law of Unintended Consequences: 20th Century and Beyond](#)

The pundits concluded that oil reaching \$147 a barrel was due to speculators. Once the speculators were forced out, oil prices collapsed. Their view is that this temporary crisis has passed and life will go back to normal. American oil demand declined by 13% in September 2008, but Chinese demand grew by 28%. Auto financing at 0% for five years on SUVs will prevail and all will be well. The ignorance of the true facts by our leaders will lead to a future crisis that will make the current financial crisis seem like a walk in the park. The current economic downturn which has temporarily decreased worldwide demand will end. Oil demand will resume its upward slope, while supply has likely reached its peak. The facts based on exhaustive research by Matt Simmons are:

- 60% of the world's oil is consumed by 10% of the world's population.
- America represents 5% of the world's population and consumes 24% of the world's oil.
- Middle East oil use is growing more rapidly than China's.
- China now uses 8 million barrels per day versus 3.5 million barrels per day in 1997.
- China now consumes 2 barrels per person versus 24 barrels per person in the U.S.
- The U.S. has 220 million automobiles for 305 million people. China has 32 million cars for 1.3 billion people.
- Peak supply of 86 million barrels of oil per day has been reached. Demand will grow to 115 million to 125 million barrels per day in the next 20 years.

The price of oil is now dangerously low. There are large amounts of untapped resources in non-traditional places. These include oil sands in Canada, oil shale in the Western U.S., and deep water oil. At \$40 a barrel, the cost to extract oil from these sources is greater than the revenue that can be generated. Therefore, all projects in these areas will be

stopped or delayed indefinitely. Drilling rigs are being shut down, employees are being laid off, and all expensive deep water projects are being abandoned. Supply has topped out at 86 million barrels per day. Mature oil fields throughout the world are in decline. Projects can take decades to bring on-line. Projects not started today will result in supply shortages in the future.

[Oil Curve Steeper Than '99 Shows Possible Gain in '09](#)

(Bloomberg) -- The steepest plunge in crude prices on record may be setting up oil investors for a rally this year, if history is any guide.

The so-called forward curve of futures contracts traded on the New York Mercantile Exchange suggests oil will rise 28 percent to \$60.10 a barrel by December. The curve looks almost the same as 10 years ago, after Russia's default and the collapse of the Long-Term Capital Management LP hedge fund raised concerns that a global economic slowdown would reduce energy demand. Crude prices fell 25 percent in the final quarter of 1998, the steepest drop in seven years.

[The good news behind lower oil prices](#)

Call it the petroleum industry's Christmas gift to the world.

The collapse in crude prices is causing a lot of financial misery in Alberta and every other oil-producing region. But the benefit to energy consumers -- individual and corporate -- is huge. This massive reduction in energy costs will be a major contributor to recovery from the global economic recession.

[EU reports no major disruptions](#)

KIEV, Ukraine (AP) -- The European Union says that there have been no substantial disruptions in natural gas supplies through Ukraine from Russia.

The European Commission says that there is no immediate danger of shortages for end consumers and that industry is also still receiving gas.

[Kuwaiti official says no plan for OPEC meeting in February](#)

Iran's OPEC governor Mohammed Ali Khatibi said Monday that the producers' group would meet in Kuwait in February to assess the impact of the latest production cut. He had earlier mentioned a possible date of February 19 for the Kuwait meeting.

But the Kuwaiti source said OPEC would most likely wait for its next scheduled meeting due to be held in Vienna on March 15.

[Eni says Nigeria break cuts oil output by 12,000 bpd](#)

(Reuters) - Italian oil and gas group Eni SpA said on Monday the closure of a pumping station in Nigeria following a spillage incident had reduced oil production by 12,000 barrels per day.

"The overall amount affected (by the incident) is 12,000 barrels per day and Eni's share of that is 2,400," an Eni spokeswoman said.

[Alaska: Refinery's struggles cause for concern](#) - *If it ceases operations, the railroad and the airport would be hit hard*

Flint Hills, part of Kansas-based Koch Industries Inc., has indicated its aging refinery is struggling financially because of last year's record high prices for crude oil used to make such products as jet fuel, heating oil and gasoline.

[Exxon: Waiting for the tiger to pounce](#)

The company is sitting on a pile of cash, and some think it may soon buy another major oil firm.

[Exxon Apostasy: A Closer Look at the Oil Giant's Real Valuation](#)

I invite you to spend some time with XOM's annual report. You'll find that volumes of production and reserves in all its segments have not moved much since 2003. In many cases, they declined. So the magic behind all that growth over the last five years had little to do with XOM's operating performance but was totally driven by commodity prices and share buybacks.

You might say that XOM is at only nine times earnings, and there's not much growth built into the stock. Keep in mind, however, that XOM only trades at that valuation if it can earn what it earned in 2008 when oil prices were between \$85 and \$150. Unfortunately for XOM, fortunately for rest of us, oil prices are making five-year lows, revisiting the mid-30s.

[Richards Bay Coal's 2008 Exports Fell on Rail, Eskom](#)

(Bloomberg) -- South Africa's Richards Bay Coal Terminal, the world's largest coal-export facility, shipped 6.6 percent less fuel last year because of derailments and increased competition from local power utility Eskom Holdings Ltd.

[India Plans to Deregulate Retail Fuel Prices, Ahluwalia Says](#)

(Bloomberg) -- India plans to free retail fuel prices from government control and link them to global crude oil, the prime minister's top economic adviser said, indicating gasoline and diesel costs may be cut for the second time in a month.

[Pakistan: Diesel shortage hits public transport](#)

LAHORE - Diesel shortage has adversely affected public transportation services, with a significant reduction in service duration at night, provided by the local operators as the provincial government fails to ensure fuel supply to these operators.

As long queues of vehicles at different filling stations in the city tell the tales of the on-going fuel crisis across the country, commuters are really feeling miserable when they have to wait for hours to get on a public transport vehicle in intense cold weather.

[India: Trucks go off roads, food supplies may be hit](#)

New Delhi: Over six million trucks went off roads across India in the early hours of Monday, a day after talks with the government over their demand to reduce prices of diesel and tyres failed. Traders voiced fears of food shortages as the indefinite strike started.

[Geopolitical Energy: Centered on the Caspian Sea](#)

I've just finished reading a fascinating book authored by Lutz Kleveman entitled *The New Great Game*. The book is about Kleveman's visits to all countries surrounding the Caspian Sea and to the countries involved in actual and proposed oil and gas pipeline routes required to bring Caspian Sea energy assets to the world market. He interviews an amazing cast of intriguing characters along the way.

[Lawrence, Kansas reviews progress on 2007 goals](#)

The Mayor's Task Force on Sustainability is meeting regularly to come up with ways to make the city more environmentally friendly. Commissioners also formed the Peak Oil Task Force after some residents expressed concern about the city's lack of planning for higher fuel prices and possible oil shortages in the future.

[Attaining sustainability on Kaua'i](#)

Kaua'i is an island furnished with natural resources, year-round warm weather, fertile soil and bountiful rain. What better recipe could be concocted for maintaining a sustainable food industry?

Glenn Hontz, coordinator and director of the Food Industry Program at Kaua'i Community College, already thought of the idea long ago; well before oil prices were increasing and our reliance on imported food reportedly grew to nearly 90 percent.

[Prime Numbers: The Nuclear Option](#)

After a decades-long slowdown, nuclear power once again dominates the global energy debate. Dozens of countries are vying to join the nuclear power club and hundreds of new reactors are on the drawing board. But despite the hype, it will not be the miracle cure for energy dependence or global warming that boosters promise.

[An electric future for Nissan](#)

Nissan Motors believes it has found a solution to the growing problem of fuel cost and shortage for internal combustion driven automobiles. Simon Sproule, Corporate Vice President of Nissan Motors in Asia says the most viable alternative is to go electric.

“While developing other alternative fuels is still on the R&D of Nissan, we believe that electric cars are the way of the future for automobiles,” says Sproule in an interview. Nissan believes in electrification of cars because it is the most common of all alternatives.

[Lead for car batteries poisons an African town](#)

The dirt here is laced with lead left over from years of extracting it from old car batteries. So when the price of lead quadrupled over five years, residents started digging up the earth to get at it. The World Health Organization says the area is still severely contaminated, 10 months after a government cleanup.

The tragedy of Thiaroye Sur Mer gives a glimpse at how the globalization of a modern tool — the car battery — can wreak havoc in the developing world.

[Sorry, Climate Change Wouldn't Hurt America's Economy](#)

If you do buy into the theory of man-made climate change, the next logical move would

surely be to do nothing that would slow growth and technological advancement in rich countries -- such as a cap-and-trade regulatory system or onerous carbon taxes -- and do more to accelerate growth in poor ones through free trade and the exporting of democratic capitalism.

[Bill McKibben - Think Again: Climate Change](#)

Act now, we're told, if we want to save the planet from a climate catastrophe. Trouble is, it might be too late. The science is settled, and the damage has already begun. The only question now is whether we will stop playing political games and embrace the few imperfect options we have left.



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