



DrumBeat: February 7, 2009

Posted by [Gail the Actuary](#) on February 7, 2009 - 9:13am

Topic: [Miscellaneous](#)

[Iraq predicts deeper OPEC output cuts](#)

SAN FRANCISCO (MarketWatch) - The Organization of Petroleum Exporting Countries, in an effort to prop up flagging oil prices, is likely to agree to further production cuts when its members gather next month, Iraq's oil minister said Saturday.

"In March, OPEC will convene and there will be an intention for more production cuts to shore up prices," Hussain al-Shahristani said, according to a media reports.

[Enjoy low oil prices while you can: guru](#)

Henry Groppe, founder of Houston-based Groppe, Long & Littell, is 83 years old, a vegetarian and has been a forecaster in the oil and gas business since 1955. And he is not afraid to go against the conventional wisdom. One year back he predicted the oil price would collapse in the second half of the year -- and not reach the much talked-about price of US\$200 a barrel.

Now Groppe, a special advisor to the Toronto-based Middlefield group of companies, has done his analysis and concluded that between now and year end the price of oil will double. If that forecast pans out, oil will hit US\$80 a barrel, or more than double what others are predicting. His advice to consumers: Enjoy the current low gas prices, because they won't last for much longer.

[Three Gorges Dam Forces Another Move](#)

BEIJING -- New questions arose about China's dam building boom rose as a recently released government plan said some of the 1.4 million farmers relocated to make way for the Three Gorges Dam would have to move again.

The plan for the relocation and urbanization of farmers living near the Three Gorges Reservoir was published online by the government Thursday and includes some of the most pointed acknowledgments of the problems created by the forced migration of 1.4 million people to make way for the world's biggest dam.

[North Sea Huntingdon oil field up for grabs](#)

London, 7 January (Argus) — The future ownership of the Huntingdon oil field in the UK North Sea is unclear, as operator Oilexco North Sea (ONSL) prepares to enter administration.

Huntingdon was hailed as the biggest UK oil find for at least five years when it was discovered in 2007. Estimates of proven and probable reserves range up to 220mn bl of oil equivalent (boe).

This is the first time a UK operator has gone into administration, analysts said, and attention will be paid to the role taken by the UK government. But one analyst said: "It shows how quickly problems can arise if companies need to extend or roll over debt facilities."

[Comparison of economic stimulus plans](#)

A comparison of the \$827 billion economic recovery plan drafted by Senate Democrats and moderate Republicans with a \$820 billion version passed by the House. Additional debt costs would add about \$350 billion or more over 10 years. Many provisions expire in two years.

ENERGY:

_Senate — About \$40 billion for energy programs, focused chiefly on efficiency and renewable energy, including \$2.9 billion to weatherize modest-income homes; \$4.6 billion for fossil fuel research and development; \$6.4 billion to clean up nuclear weapons production sites; \$11 billion toward a so-called "smart electricity grid" to reduce waste; \$8.5 billion to subsidize loans for renewable energy projects; and \$2 billion for advanced battery systems.

_House — \$28.4 billion for energy efficiency and renewable energy programs, including \$6.2 billion to weatherize homes; \$11 billion to fund a so-called "smart electricity grid" to reduce waste.

[Nigeria militant group says attacked oil giant Shell](#)

LAGOS, Feb. 7 (Xinhua) -- Shell's Utorogu Gas Plant located in southeastern Delta State was attacked, said the Movement for the Emancipation of the Niger Delta (MEND), the most prominent militant group in Nigerian oil-producing region, in an e-mailed statement reaching here on Saturday.

"The Movement for the Emancipation of the Niger Delta can confirm that its fighters based inside Delta state of Nigeria, today Feb. 7, 2009 attacked the Utorogu Gas Plant operated by Shell," said the statement.

It said this attack and many smaller ones to come would "like the rains and wind heralding the arrival of the hurricane."

[Falling oil price could hamper Iraqi military - U.S.](#)

BAGHDAD (Reuters) - A collapse in oil prices will set back Iraq's ability to rebuild, train and equip its maturing security forces as U.S. troops withdraw, the U.S. general in charge of efforts to train Iraqi troops said.

[Rio Tinto Mulls Asset Sale to Mitsui](#)

Rio Tinto, continuing its scramble to raise cash and reduce its big debt load, is considering a possible asset sale to Japan's Mitsui & Co., people familiar with the matter say.

The possible deal, which these people say could net the Anglo-Australian miner proceeds of \$5 billion, is one of a number of options Rio is considering as it grapples with the fallout from its ill-timed 2007 acquisition of Alcan Inc. That deal saddled Rio with \$39 billion in debt just ahead of a steep drop in aluminum prices, a situation that has sent Rio scrambling to shore itself up.

For example, Rio Tinto is also in talks with Chinalco, the state-owned Chinese aluminum company, for a massive cash infusion. At the same time, it is contemplating the sale of additional shares to its existing investors to raise cash.

[High cancer rates confirmed near oil sands](#)

ALGARY, Alberta (Reuters) – Health officials in Alberta confirmed on Friday that there are more cases of cancer than expected in a small aboriginal village downstream from the Canadian province's massive oil sands plants, but they said there was no cause for residents to be alarmed.

...the study found 47 individuals in the community had 51 different cancers over the 1995 to 2006 study period, more than the 39 cases health officials had expected to find.

[Halliburton spinoff prepares to admit bribery in federal court](#)

WASHINGTON (AP) — A spinoff of Halliburton Co. is on the verge of pleading guilty to federal bribery charges.

Court papers filed in Houston on Friday show Kellogg, Brown & Root LLC is preparing to plead guilty to violating the Foreign Corrupt Practices Act for promising and paying tens

of millions of dollars in bribes to officials in Nigeria in exchange for engineering and construction contracts between 1995 and 2004.

[Quest Energy Partners Suspends Quarterly Distributions](#)

Quest Energy Partners LP, Oklahoma City, (Nasdaq: QELP) says it has suspended distributions on its common units, beginning with those from the fourth quarter of 2008 that were scheduled to be paid in mid-February.

Quest owns more than 2,300 wells and is the largest producer of natural gas in the Cherokee Basin in southeast Kansas and northeast Oklahoma.

[Stimulating Uncertainty](#)

The proposals should also be set in the wider economic context. On paper, the \$71 billion that the "Making Work Pay" tax proposal would leave in Americans' pockets this year should boost discretionary spending. But other factors are lightening wallets, such as the \$33 billion fall in S&P 500 dividend payouts expected this year by Standard & Poor's.

In addition, tax cuts will likely go to paying off debts. Certainly, the much bigger benefit accruing from falling gasoline prices -- an annualized \$205 billion in 2009 compared with last year, based on average prices -- has not helped retailers much.

"Infrastructure" is another buzz-word that warrants detailed examination. Andrew Keen of Sanford Bernstein points out that of the roughly \$900 billion plan, only about 3% is allocated to improving roads and bridges. Steel bulls, therefore, should focus less on the overall dollar number, and more on the likely passage of any "Buy American" measures which would bolster prices.

[Two Federal Agencies Settle Global-Warming Lawsuit](#)

SAN FRANCISCO -- The federal government settled Friday a lawsuit that accused two U.S. agencies of financing energy projects overseas without considering their impacts on global warming.

The Export-Import Bank of the U.S. and the Overseas Private Investment Corp. agreed to provide a combined \$500 million in financing for renewable energy projects and take into account greenhouse gas emissions associated with projects they support.

The Bush administration had argued that the "alleged impacts of global climate change are too remote and speculative" to require the environmental reviews sought by the plaintiffs. It also argued that the two agencies are exempt from NEPA.

[Oil Prices: Get Ready for the Rebound](#)

Gheit: Look, oil companies are going to lose 40% of their cash flow this year, and capital expenditures will be cut sharply [...] If you thought the fourth-quarter numbers [for oil companies] were bad, wait until you see the first-quarter numbers. Oil prices are now about where they were five or six years ago, but the cost of extracting oil has doubled in that time...

At the larger oil companies, 80-90% of spending is on new projects to offset decline [at existing fields]. Most companies are indicating that the rate of decline will increase because the capital expenditures just can't keep pace.

[Older fields] are like aging athletes...you don't want to spend the money, sign them to a long-term contract. So all the bets are on the rising stars, but those are projects that won't have an impact for maybe five years.

[White House Calls to Speed the Stimulus Bill Amid Job Losses](#)

President Barack Obama has intensified his push for lawmakers to quickly wrap up a fiscal stimulus package. At the House Democrats' retreat in Williamsburg, Va., Thursday night, he praised lawmakers while urging them to work with the Senate to get a bill passed quickly. He also had a sharp comment, apparently aimed at Republicans who want to put more tax cuts into the package now being debated in the Senate. "We can't embrace the losing formula that says only tax cuts will work for every problem we face; that ignores critical challenges like our addiction to foreign oil, or the soaring cost of health care, or falling schools and crumbling bridges and roads and levees," he said. "I don't care whether you're driving a hybrid or an SUV _ if you're headed for a cliff, you've got to change direction."

[The upstream survivors of 2009: how to live to tell the tale](#)

Strong players will find opportunities in several areas. For NOCs, M&A is in the air. NOCs which purchase overseas assets are likely to seek acquisitions of smaller independents and should explore opportunities to acquire major players. To compete with IOCs, they must realise their increasing role as drivers of new investment; they accounted for one-third of M&A spend in 2006 and the International Energy Agency (IEA) forecasts a lack of future investment funds to cover expected declines in production. Acquiring an OFS or EPC provider can help NOCs address capability gaps.

IOCs will look towards cost savings and shifting asset portfolios to increase E&P activities in the region and will look for long-term investment opportunities to strengthen resource positions. Strong EPC and OFS players should look to vertical integration and consolidation opportunities to gain market power. The leaders will focus on differentiation through more rigorous quality control and timely delivery. Private equity funds will also find good opportunities in smaller OFS companies — and some

funds will be looking to do a “roll-up play” of OFS.

“Collaborative partnerships will be a key play for all. Long-term strategic partnerships can achieve risk-sharing and expand capabilities in major project delivery and operations,” stated Dr Kombargi.

[James Lovelock: One last chance to save mankind](#)

Your work on atmospheric chlorofluorocarbons led eventually to a global CFC ban that saved us from ozone-layer depletion. Do we have time to do a similar thing with carbon emissions to save ourselves from climate change?

Not a hope in hell. Most of the "green" stuff is verging on a gigantic scam. Carbon trading, with its huge government subsidies, is just what finance and industry wanted. It's not going to do a damn thing about climate change, but it'll make a lot of money for a lot of people and postpone the moment of reckoning. I am not against renewable energy, but to spoil all the decent countryside in the UK with wind farms is driving me mad. It's absolutely unnecessary, and it takes 2500 square kilometres to produce a gigawatt - that's an awful lot of countryside.

[Are These Cars "Greener" Than Hybrids?](#)

Unlike the cars popularized during the 1970s energy crisis (when diesel fuel was cheaper than regular gas), today's diesel-powered vehicles run quietly, accelerate quickly and meet emissions standards in all 50 states—even smog-conscious California. According to the U.S. Department of Energy, today's so-called clean diesel engines are not only more powerful, but they're also 30 to 35 percent more fuel-efficient than comparably sized gas ones.

And they're starting to pop up on this side of the pond. Over the next five years, industry analysts expect the share of diesel vehicles sold in the U.S. to more than triple its current 2.2 percent. . .

The U.S. government is dangling some incentives for clean diesels: \$1,300 for the Jetta TDI, \$900 for the Mercedes ML. But until tax breaks broaden, diesel fuel costs improve and manufacturers put diesel engines into more small cars, these vehicles will likely remain a niche for Americans who appreciate potent performance but want a touch of green.

[US rig count lowest since July 2005](#)

HOUSTON, Feb. 6 -- The US rig count continues to plummet, down 73 with 1,399 rotary rigs still drilling, said Baker Hughes Inc.

That's the lowest activity level since July 19, 2005, when 1,404 rigs were working and

the count was climbing. A year ago this week there were 1,755 units at work.

Canada's rig count inched up by 3 units to 435 drilling, down from 598 during the same time last year.

[VeraSun Energy to sell assets to Valero Energy](#)

Ethanol producer VeraSun Energy Corp. said Friday it is selling assets to Valero Energy Corp. for \$280 million amid difficult industry conditions and tight credit markets.

The assets include certain VeraSun production facilities in South Dakota, Iowa, Minnesota, and Indiana. The company will sell all production facilities and operations in separate or combined transactions.



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