



## DrumBeat: February 8, 2009

Posted by [Gail the Actuary](#) on February 8, 2009 - 9:32am

Topic: [Miscellaneous](#)

### [An energy boomtown goes bust](#)

Reporting from Parachute, Colo. -- Robert Knight was about to install wireless transmitters on eight new drilling rigs joining the thousands that dot the ravines and mesas here when he got the startling news: All but one of the rigs were coming down.

Falling natural gas prices had led energy firms to abruptly curtail their work here last month, battering the last sector of the U.S. economy that had prospered despite the recession.

### [Oil patch skeptical of Alberta's incentive plan](#)

CALGARY, Alberta, Feb 6 (Reuters) - Alberta's plan to give incentives to hard-hit small and mid-size oil companies may not stem this year's sharp drop in drilling in Canada's biggest energy-producing province, analysts and industry officials said on Friday.

Premier Ed Stelmach announced the scheme on Thursday after skidding oil prices and tight credit prompted forecasters to call for drilling to drop by more than 20 percent this year, and some industry associations to warn of major job losses.

Few details have been finalized, but Stelmach's planned tax and drilling incentives will not address the high-cost nature of conventional oil and gas operations in Alberta, said Robert Cooper, an analyst with Acumen Capital Partners.

Instead, the government should do what it has pledged not to: repeal its newly established royalty changes, he said.

### [Gazprom vows stable LNG supply for Japan](#)

MOSCOW (Kyodo) The vice chief of Gazprom, Russia's state-backed gas monopoly, said Friday that it intends to supply liquefied natural gas from Sakhalin to Japan "in a stable manner over a long period of time."

Gazprom Deputy Chief Executive Officer Alexander Medvedev also told reporters the

company is likely to start exporting LNG to Japan in March.

Medvedev said there is no risk of seaborne transportation being blocked by a third country, as Gazprom's gas exports via the pipeline through Ukraine have been.

### [Russia's descent into reality](#)

But anyone who was looking closely could see that beyond the grand announcements emanating weekly from the Kremlin, Russia's oil and gas development strategy was thin on substance and looking more than a little unrealistic. The first warning came in April 2008 when Rosneft's chief executive stated that Russia would need \$2.6 trillion to develop just its offshore oil and gas reserves between then and 2050, which equated to a yearly expenditure of \$62bn. To put this in perspective, the Sakhalin II project - one of the biggest and most complicated oil and gas projects every attempted and by far the largest in Russia - came in around \$22bn and during the peak of construction was costing about \$4bn per year. This means that the Russian oil and gas development plans would see the equivalent of about 15 Sakhalin II sized megaprojects running in parallel across Russia for 40 years, executed and managed by just two companies - Gazprom and Rosneft - neither of whom have ever executed a project of such magnitude and complexity before. Even a casual observer would think the numbers to be slightly overambitious, and overly reliant on the performance of two companies with an untested track record of project delivery.

### [Exxon, Chevron not planning to cut capital spending](#)

HOUSTON — With oil's price diving and a recession gripping the globe, Exxon Mobil Corp. and Chevron Corp. aren't closing their checkbooks, even a little.

“We intend to continue to invest at these record levels at least over the next five years,” Ken Cohen, Irving-based Exxon Mobil's vice president of public affairs, told reporters recently. The company's \$26.1 billion in capital spending last year was 25 percent more than in 2007.

Dave O'Reilly, Chevron's chairman and chief executive, told analysts that the San Ramon, Calif.-based company also will maintain spending levels of nearly \$23 billion, focused on completing projects that have long been in the works.

### [Russia's Recession Squeezes Migrants](#)

#### **Millions of Foreigners, Lured by Oil Boom, Now Face Bias in Ethnic Backlash**

The plight of the estimated 12 million foreign workers in Russia -- the largest immigrant population in the world outside the United States -- will be felt in their home countries,

primarily the former Soviet republics of Central Asia, where remittances account for as much as half of gross domestic product.

But it also poses a stark challenge for the Russian government, which must contend with a huge pool of alienated and unemployed immigrants in a society that has already seen a troubling increase in racially motivated violence.

### [Chevron seeks reimbursement from villagers who sued over 1998 shooting](#)

The oil giant is seeking nearly \$500,000 in legal costs from the Nigerian villagers who unsuccessfully sued over a shooting at an offshore platform that left two protesters dead and two wounded.

### [‘Bayelsa will lead in commercial farming’](#)

Since oil was discovered in commercial quantity at Oloibiri, Bayelsa State in 1956, Nigeria has depended on the ‘black gold’ for economic sustenance. However, there are fears that in no distant time, the oil might dry up. But in this interview with Clara Nwachukwu, the Bayelsa State Commissioner for Agriculture, Chief Dikivie Ikiogha, says the state is already shifting attention to agriculture. You were formerly the Commissioner for Energy, now you are in charge of agriculture, what is the development agenda you are setting for your state, especially with the growing fear that oil may soon dry up?

### [Iran missing over \\$1bn in surplus oil revenue](#)

TEHRAN: Iran’s National Audit Office reported that \$1.058 billion of surplus oil revenue in the 2006-07 budget hasn’t been returned by the government to the national treasury, Iran’s satellite English-language news website reported.

The audit report, which was issued for the Iranian parliament, or Majles, said government documents also don’t account for \$61 million in National Iranian Oil Co. taxes, Press TV reported Thursday.

Iran’s parliamentary speaker, Ali Larijani, called on Thursday for further investigations in order to make sure the missing funds are returned to the treasury as soon as possible, reported Press TV.

### [Gazprom says gas deal with Ukraine unlikely tomorrow](#)

London, 7 January (Argus) — Deliveries of Russian gas through Ukraine came to a complete halt today, with the two sides offering scant hope of a resolution to their

dispute.

Ukraine and Russia have been sparring over the former's 2008 gas bill since the beginning of December. With the debt still unpaid — and Ukraine allegedly siphoning off gas bound for western Europe — state-controlled Gazprom cut all deliveries to Ukraine today, including supply destined for western Europe. "If Ukraine will not execute its transit country obligations, it will be no sense to continue to pump any gas from Russia to Europe, because this gas is not reaching European customers in spite of all of our efforts."

Arguing that Kiev has no intention of entering into serious negotiations, Gazprom said it expects little progress at a meeting mooted for tomorrow. "It was very strange to hear that they would like to have a meeting on 8 January because everybody knows that 8 January was agreed to have a meeting of [Gazprom chairman Alexei] Miller with the European Commission, including [commission president Jose Manuel] Barroso and [energy commissioner Andris] Piebalgs," Gazprom deputy chairman Alexander Medvedev said. "It is like to ask 'come to visit' when everybody knows you are not at home... Tomorrow is a Brussels consultation and their declaration that they will come to Moscow looks very strange."

#### [Timoshenko: we hope Ukraine, Russia settle gas conflict](#)

MUNICH, February 7 (Itar-Tass) - Ukrainian Prime Minister Yulia Timoshenko said there were all reasons for hoping that the gas conflict between Kiev and Moscow was settled.

Speaking at the Munich Security Conference on Saturday, Timoshenko said, "The reasons for the crisis were in gas monopoly and it's very difficult to hold talks in such conditions."

Gas prices and gas transit play a very important role, the Ukrainian prime minister said. In her view, "we solved the problem. All contracts are direct and they were signed by Gazprom and Naftogaz without mediators."

#### [Russia asks Ukraine gas transit monitors to work through March](#)

MOSCOW (RIA Novosti) - Russia is asking international observers to continue monitoring gas transit via Ukraine until at least the end of March, the Russian prime minister said on Friday.

"We would ask them to continue monitoring until at least the end of the first quarter of this year," Vladimir Putin told reporters after a Kremlin meeting with a European Commission delegation including President Jose Manuel Barroso.

Putin also said Ukraine had yet not allowed Russian monitors into its central monitoring point in Kiev or gas storage facilities.



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