The Oil Drum
DISCUSSIONS ABOUT ENERGY AND OUR FUTURE

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Oil trades around $54 on stock market rally

> Oil prices briefly topped $54 a barrel Monday, getting a boost from stock investors who seemed hopeful a new plan to resolve the nation's banking crisis would spur economic growth. Better-than-expected housing news helped too.
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> Benchmark crude for May delivery rose $1.73 to settle at $53.80 a barrel on the New York Mercantile Exchange, continuing its upward momentum. Prices climbed as high as $54.05.
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> On Friday, oil ended the week above $50 a barrel for the first time this year, and prices have risen more than 30 percent this month.

NYMEX-Crude up sharply as stock markets rally

> U.S. crude oil futures rose on Monday, jumping above $53 a barrel as Wall Street and global stock markets rallied on a U.S. plan to buy up so-called toxic assets to tidy up bank balance sheets.
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> The NYMEX May crude contract, now in front-month position, hit a 2009 intraday peak after seesawing at the start of the open outcry floor session in New York.
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> "The market held support on last dip, the stock market is supporting and products are firm again," said Tom Bentz, analyst at BNP Paribas Commodity Futures Inc in New York.

Welcome to Fuffland (Dmitry Orlov)

> It may be clear to us that fuffles must be eradicated. But it is almost impossible for a society that has for so long and to such an extent put its faith in fuffles to part with the notion that they are valuable and accept the notion that they are a lot worse than worthless. And so they grow and grow, until they swallow up the entire country. At some point last year, in a vain effort to avert financial collapse, the Federal Reserve started accepting fuffles (which they called “troubled assets”) as collateral for fuffled

rescue loans to insolvent financial institutions. Thus, the assets column of the Fed's balance sheet is now loaded with fuffles. And next, we have the US Treasury poised to create the next wave of fuffles. These are US Treasury securities, backed by whatever remains of the full faith and credit of the US Government, but destined to be sold not to investors (who have no taste for any more fuffles) but, in a truly incestuous move, to the same old Federal Reserve Bordello of Blood! They are calling this “quantitative easing.” A better term would be “qualitative fuffling:” the financial snake is finally eating its own tail. The Fed will place these fuffles on its balance sheet as assets, and in return issue prolific quantities of our new national currency: the US Fuffle. Like all fuffles, the US Fuffle will grow by leaps and bounds, by sprouting ever more denominations.

Peak Oil Review: Investment in Venezuela Tom Whipple

As exports slide, oil prices remain stagnant, and its economy falters, Caracas is searching for new investment to replace the US and European oil companies that were largely driven out two years ago. With cash short, Venezuela is holding up payments to contractors. Oil service companies are halting drilling for non-payment of bills and last week the Brazilian firm building the Caracas metro slowed work for non-payment. In addition to bills from contractors, the government is said to owe abut $10 billion to pay for firms it has nationalized in recent years.

President Chavez is pinning his economic hopes on increasing production from the Orinoco heavy oil deposits which the government says contains 272 billion barrels of oil. Last week Chavez announced a $6 billion dollar deal with a consortium of Russian firms to drill in the Orinoco basin. Caracas is also evaluating bids from two Chinese state oil companies for blocks in the Orinoco; holding talks with South Korea to help develop heavy oil and gas fields; and has signed an energy agreement with Japan. Caracas says four Japanese oil companies are considering investment in the Orinoco.

These agreements will take many years to produce results. Exploiting heavy oil fields is both technically challenging and expensive. Besides Beijing, only several of the international oil companies Chavez kicked out last year have much spare capital to investment in long term oil projects right now. Given the precarious state of the global economy and the increasing likelihood of political unrest, it is doubtful that much will come from all this activity.

PetroChina Xinjiang to boost oil storage by 60 pct

PetroChina's (601857.SS)(PTR.N) (0857.HK) Xinjiang Oilfield Corporation has started an expansion that would boost its crude oil storage capacity by 60 percent by August 2010, a newspaper run by parent CNPC reported on Monday.

The Xinjiang unit will add 450,000 cubic metres of crude oil tanks to its Wangjiagou oil storage facility in two years, with three tanks with 50,000 cubic metres of storage capacity each set to be ready for use by October 30 this year, the China Petroleum Daily said.

The other six tanks of the same size are scheduled to be operational by August 10, 2010.

The expansion would boost Xinjiang Oilfield's storage capacity to 1.2 million cubic metres (or 7.6 million barrels) and increase its ability to handle more crude oil produced in its own fields or imported from Kazakhstan, according to the report.

Scandal sullies Spain's clean energy

The arrest of 19 people accused of corruption highlights the dirty by-product of the country's booming economy in renewable fuel

While it was the construction boom that accompanied the wind turbines which led to the arrest of Pinilla and other officials alleged to have demanded backhanders, the renewable energies explosion was already leaving a footprint of sleaze elsewhere in Spain.

A judge in the Canary Islands last week accused a former industry department chief, Celso Perdomo, of making millions of euros by selling secret information on land about to be earmarked for the wind industry.

Inspectors are also busy looking at a sudden boom in solar farms, where subsidies assuring a 12% annual return on investment over 25 years sent Spain's notoriously corrupt real estate developers into a frenzy. . .

When Spain's National Commission for Energy decided to inspect 30 solar gardens, it found only 13 of them had been built properly and were actually dumping electricity into the network. After exceeding its solar energy target 10 times over, Spain has slashed subsidies for future projects.

Gulf economies seen slowing down

The Saudi Arabian and United Arab Emirates economies will narrowly avoid contracting in 2009 while Kuwait shrinks as the Gulf is dealt a double blow from oil output cuts and weak consumer demand, a Reuters poll showed.

Real economic growth in all Gulf oil exporters except Qatar is set to slow to about 2 per cent or less, marking an abrupt end to a boom that saw most Gulf economies expand 6 per cent or more in 2008, according to the poll of 14 economists and analysts.

Crunch forces govt to drop oil reserve target

DEVELOPMENTS in the oil and gas industry within and outside the country may have forced the Federal Government to jettison its earlier plan to raise the nation's oil reserve from the current level of 35 billion barrels to 40 billion barrels by 2010. . .

Lukman said: "Nigeria will also not invest as a producing country under the present situation. We will not invest. Why should we invest heavily when we have the capacity to produce three million barrels per day (mbpd) and having shut-in of about one million bpd? Why should we invest in more capacity and more reserves that we cannot produce? It does not make sense."

According to him, the downturn in oil prices now hovering around $40 and $50 per barrels, does not help in taking investment decision for future growth.

[Reuters Summit - Economic Recovery May Rekindle Food/Fuel Debate]

The steep drop in energy prices from last year's peaks has cooled the food-versus-fuel debate for the moment, but the battle may be rekindled by an eventual global economic recovery or energy price rebound.

The push to produce more biofuels like corn-based ethanol or biodiesel made from soybean oil or palm oil helped drive prices of raw food commodities to record highs last year, prompting double-digit food price inflation in some countries.

It also set off a debate over the morality of using food crops to make fuel while millions around the world go hungry.

Now, initiatives to expand the production and use of renewable fuels in the name of national security, domestic job growth or to combat climate change may further fan the controversy, according to several food and agriculture company executives and industry analysts speaking at the Reuters Food and Agriculture Summit in Chicago and elsewhere.

[Electric car from Nissan will be sold here in '10]

Nissan is partnering with San Diego Gas & Electric to sell its new all-electric car here next year.

The automaker will show off a prototype of the car to people who manage fleets for large companies, universities and municipalities at the Broadway Pier in downtown San Diego today, though the company insists the way it drives is more important than the way it looks.

“This is not a test and demonstration, but a true market introduction,” said Mark Perry, Nissan's director of product planning and strategy.

The five-passenger compact is expected to go 100 miles on a four-hour charge of its lithium-ion batteries, he said. . .

The utility's goal is to start with about 100 cars on the road for municipal, university and corporate fleets as a way of testing the viability of the electric car, said Bill Zobel, SDG&E's manager of clean transportation.

> Nissan has similar partnerships in Oregon, Tennessee, Sonoma County and Tucson.

[Cat Got Your Fish?]

> The use of wild fish in animal feed is a serious problem for the world's food systems. Around a third of all wild fish caught are "reduced" into fish meal and fish oil. And yet most of the outrage about this is focused not on land-based animals like Coco [author's cat] but on other fish — namely farm-raised fish.
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> This is understandable. Ever since the Stanford economist Rosamond Naylor concluded in a 2000 paper in the journal Nature that it took three pounds of wild fish to provide enough food to grow one pound of farmed salmon, environmentalists have been apoplectic. They argue that the removal of wild "forage" fish threatens to starve whales, seals and other predators; that anchovies, mackerel and other "pelagic forage fish" should be used to feed humans; and that feed made from wild fish can give farm-raised fish higher levels of contaminants. As a result of all these issues, ocean preservationists have focused their ire on salmon farming. But in doing so they diverted attention from another problem of equal importance: the role played by those land-based creatures that also put their muzzles in the fish meal trough.
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> The pet food industry now uses about 10 percent of the global supply of forage fish. The swine industry consumes 24 percent of fish meal and oil — fish oil being considered the best way to wean piglets. Poultry meanwhile takes as much as 22 percent, which means that even when Coco ate chicken, indirectly he was still eating fish.

[Full Commanding Denial] (James Kunstler)

> Everything that we're doing right now is engineered to avoid reality, to sustain the unsustainable, to recover the unrecoverable, when the mandate of reality compels us to face our losses in order to move on to the next chapter of a collective American life. The next chapter would be a society that runs on a much more local and modest scale, centered on essential activities like growing food, requiring harder physical work, and focused attention -- in other words, the opposite of a society lost in abstractions, long-range daisy chains of off-loaded responsibility, and incessant pleasure-seeking.

[Oil nears $53 ahead of US toxic asset plan]

> Oil rose towards $53 a barrel today to the highest in almost four months, supported by a weak dollar, after the US gave details on its plan to remove toxic assets from bank balance sheets.

[The French Nuclear Industry Is Bad Enough in France; Let's Not Expand It to the U.S.]

Areva, France's nuclear industry, has a solid reputation, but a trail of radioactive waste and deaths in Africa follow its wake.

But France's monopolistic dependency on splitting the atom to turn on the lights has come with a huge price -- not only financially but in environmental and health costs. In reality, France is a radioactive mess, additionally burdened with an overwhelming amount of radioactive waste, much of which is simply dispersed into the surrounding environment. . .

France has 210 abandoned uranium mines. The leftover radioactive dirt -- known as tailings -- along with radioactively contaminated rocks, have been used in school playgrounds and ski-resort parking lots. Efforts to force Areva to clean up its mess have been met with resistance from the company. . .

Most of the uranium isn't "recycled" either. Ninety-five percent of the mass of spent French reactor fuel consists of uranium that is so contaminated with other fission products that it cannot be reused as reactor fuel at all (although France ships some of it to Russia). The vast majority of the uranium from reprocessing -- nonfissile uranium 238 -- cannot be recycled either and will need to be permanently secured. . .

As much as 100 million gallons of liquid radioactive waste a year is pumped from La Hague into the English Channel and has radioactively contaminated the seas as far as the Arctic Circle. These liquid wastes have been measured at 17 million times more radioactive than normal sea water according to an analysis by a French laboratory at the University of Breme.

[Petrobras oil workers set to strike]

Oil workers at state-controlled Brazilian energy giant Petrobras will strike for five days from Monday and attempt to cut crude output in protest over job cuts, pay and working conditions. . .

The union has often threatened industrial action in the past but later retreated after negotiations. But it did proceed with a stoppage last July which briefly reduced output.

[Nigerian unions take to the streets]

Nigerian oil unions held a rally in the capital Abuja today ahead of a meeting with government officials to try and avert a workers strike over security in the oil-producing Niger Delta, union leaders said. . .

The unions have threatened to strike several times in the past over insecurity in the delta, but have failed to follow through on their threats after government intervention.

The unions are demanding the government work for the release of all kidnapped workers in the southern delta, boost security and intelligence in the region and begin meaningful peace talks.

[Venture Production Makes Commercial Gas Discovery at Carna]

Venture Production has announced the results of the Carna gas exploration well (Venture operated -- 56% unitized interest) located in UKCS blocks 43/21b and 43/22c.

The Carna well (43/21b-5/5z) commenced drilling from the Ensco 92 drilling rig on December 26, 2008 and reached a total measured depth of 11,500 feet on March 4, 2009. The well was designed to test a Carboniferous fault block and a significant gas reservoir was discovered following a mechanical sidetrack carried out in January. . .

While Carna is a commercial gas discovery in its own right and is in line with pre-drill expectations of estimated net gas in place ranging from 95 to 185 billion cubic feet (Bcf), the confirmation of productive reservoir sands increases the attractiveness of five potential follow-on prospects in the surrounding Greater Carna Area. These other prospects, taken together, are expected to contain additional net gas in place ranging from 104 Bcf to 390 Bcf but, as yet, remain undrilled.

Commenting on the news, Mike Wagstaff, Chief Executive said, "This is another excellent drilling result and a fresh exploration success which opens up a new area of further prospectivity in a relatively underexplored part of the southern North Sea. We acquired the Carna license interest as part of our acquisition of WHAM Energy in 2007 and it is gratifying to see such a positive early result from that deal."

[Industry's Big Hope for Small Cars Fades]

Last summer, when gas cost $4 a gallon, buyers snapped up small cars so fast that dealers couldn't keep them in stock. Now, with gas prices half that level, almost 500,000 fuel-thrifty models are piled up unsold around the country.

The turnabout comes at a bad time for the struggling U.S. car industry, which has revamped factories and shifted product plans to produce more small cars in coming years. The moves are prompted by coming stricter federal fuel-economy standards and the Obama administration's car-bailout plan, which encourages auto makers to boost their vehicles' mileage.

Practically every small car in the market is stacked up at dealerships. At the end of February, Honda Motor Co. had 22,191 Fits on dealer lots -- enough to last 125 days at the current sales rate, according to Autodata Corp. In July, it had a nine-day supply, while the industry generally considers a 55- to 60-day supply healthy.

[Suncor to Buy Oil Rival]

Suncor Energy Inc. plans to acquire Petro-Canada for about $15 billion in stock, uniting two of Canada's biggest oil companies at a time of tepid world demand for crude.

A price of $15 billion represents a roughly 30% premium for Petro-Canada. Under terms of the deal, Petro-Canada shareholders are to get 1.28 shares of the newly combined company for each share of Petro-Canada. On completion of the transaction, Suncor's shareholders will own about 60% of the new company and Petro-Canada shareholders will own about 40%, Suncor said.

The all-stock deal would allow the companies to merge while conserving cash, a sign of the pressure some oil producers face amid the plunge in crude prices since last summer. The Canadian government, which could veto the deal, has signaled its support, according to people familiar with the matter.

Both Suncor and Petro-Canada are major players in oil-sands production, a type of exploration that generally involves mining tar-like sands and converting them to usable oil.

States Vie for Share of Clean-Coal Cash

The federal government is once again dangling billions of dollars for "clean coal" projects, sparking a high-stakes lobbying effort among different states trying to score some of the cash for local projects.

The recently enacted American Recovery and Reinvestment Act designates $3.4 billion in federal funding for investment in pioneering clean-coal technology, including power plants that would capture carbon dioxide so only small amounts are released to the atmosphere. . .

The funding comes on the heels of the FutureGen effort, which was stalled last year by then Energy Secretary Samuel Bodman when the estimated cost rose to $1.8 billion. Mr. Bodman said he thought the project had little chance of yielding results. . .

There is no indication that the current effort will fare any better or prove any less costly than FutureGen. However, the promise of billions of dollars in funding means these projects have attracted strong political support.

Technology Drives North American Gas Renaissance: New CERA Analysis

North American natural gas is entering a new era in which supply is no longer constrained, according to a new Cambridge Energy Research Associates (CERA) multiclient study, Rising to the Challenge: A Study of North American Gas Supply to 2018. A revolution in technology has unlocked “unconventional” gas resources, dramatically changing the prospects for the market. Demand, rather than supply, will be the challenge for the market going forward, accentuated currently by the economic crisis.

In Rising to the Challenge, CERA, an IHS Inc. (NYSE: IHS) company, has developed its supply outlook based upon detailed analysis of gas fields and then tested it using its North American gas market modeling capabilities to provide a supply analysis at the play level that is integrated with CERA's market outlook. The study concludes that the North American natural gas market can now be largely supplied by North American gas production.

The main driver of supply growth in the years ahead will undoubtedly be unconventional gas production, which has benefited disproportionately from technology. Domestic gas producers explored a variety of technologies to exploit the known unconventional resource base. The success of these efforts became evident in 2007-2008 when production in the lower 48 United States grew rapidly - from a 2007 low of 49.8 billion cubic feet per day (Bcf/d) in February to 56.7 Bcf/d in July 2008, an increase of 6.9 Bcf/d and almost 14 percent in just 17 months.

CNPC, Sinopec Bid for Venezuela Carabobo Oil Blocks

Venezuela is evaluating bids from two Chinese state oil companies for stakes in Orinoco oil blocks that Caracas is offering up to foreign investors, a person close to the issue said.

China National Petroleum Corp., the nation's top oil and gas producer and the parent of PetroChina Co., and China Petrochemical Corp., or Sinopec Group, have made bids, and these would be discussed in coming days when top Venezuela oil officials visit China, he said. . .

Venezuela's government says the area contains 272 billion barrels of recoverable reserves, and it needs to attract foreign investors to help shoulder the huge financial burden needed to extract the oil -- something Caracas can't do alone at a time of relatively low oil prices and reduced revenues.

StatoilHydro Turns on Taps at Alve Field in Norwegian Sea

The Alve gas and condensate field in the Norwegian Sea started production yesterday afternoon, March 19. Alve is developed as a subsea satellite field tied back to the Norne field's production vessel.

Alve was discovered in 1990. The find led to the discovery of the Norne oil and gas field which was proven in 1992 and brought on stream in 1997.

"Its proximity to Norne made it possible to develop Alve as a satellite field, which resulted in substantial value creation and good utilization of resources," said Anita A Stenhaug, vice president for Norne operations.

"Output from Alve and other finds in the area will extend Norne's lifetime from 2016 to 2021. This will provide more spin-offs for land-based activities in the north of Norway. . .

The quality of the reservoir at Alve is such that one well ensures good production.

Expected maximum gas production is roughly four million cubic meters of gas per day.

Recoverable reserves are estimated to be 6.78 billion cubic meters of gas and 8.3 million barrels of condensate.