



Drumbeat: March 27, 2009

Posted by [Gail the Actuary](#) on March 27, 2009 - 9:12am

Topic: [Miscellaneous](#)

[Baker Hughes: US Oil Gas Rig Count Down 46 To 1,039 This Wk](#)

The number of rigs drilling for natural gas in the U.S. fell this week as producers continued to scale back exploration and production amid sliding energy prices, but the oil rig tally rose slightly.

The number of oil and gas rigs fell to 1,039, down 46 from the previous week, according to rig data from oil-field services company Baker Hughes (BHI). The number of gas rigs was 810, a drop of 47 rigs from last week, while the oil-rig count rose by 2 to 217. The rig count includes 12 miscellaneous rigs.

The number of gas rigs in use peaked at 1,606 in September. . .

The U.S. Energy Information Administration predicted in its most recent short-term energy outlook that natural gas production would peak at 53 billion cubic feet a day in early 2009 and decline during the second half of the year.

[EMISSION CRITICAL: Nuclear Sector Lags In US Energy Policy Shift](#)

The U.S. nuclear power sector may have a few more years in the dark ages before its long-promised renaissance. . .

Yet nuclear power is still struggling to win unequivocal government and market support, even as developers prepare to break ground on the first new reactors since 1996. A new nuclear plant costs too much to compete with natural gas or coal. Opponents of the industry have successfully argued that nuclear is too mature a technology to receive new government incentives. Legislation aimed at building up alternatives to fossil fuels has largely left nuclear out in the cold. Some funds from the economic stimulus are also going to develop expensive and unproven technology to capture and store carbon emissions from coal-fired power plants. . .

The 26 proposed nuclear plants are for now an industry wish list. Nuclear plants are expensive - Progress Energy Inc. (PGN) recently estimated that two new reactors outside Tampa will cost \$7 billion each. Duke Energy Corp. (DUK) plans to spend \$1.8 billion to build a coal plant near Charlotte to produce nearly as much as one reactor.

"The cost of these plants is quite high...if you look at the companies sponsoring them, that's greater than their entire market capitalization," said Glen Grabelsky, a managing director at Fitch Ratings in New York.

The nuclear industry's expansion will depend heavily on a federal program offering loans for new plants. Utilities initially requested \$122 billion from the \$18.5 billion program, while a handful of projects are moving forward with private financing. The government will have choose only a few of these projects to award funds to.

[Saudi Minister Urges Caution on Renewable Energy](#)

"In years to come," Mr. Al-Naimi said, "if traditional energy supplies should prove inadequate because capital expenditure was curtailed due to unsustainable prices, unreliable indications of future demand, or hopes for a substitute for oil cannot deliver, such a supply crunch would be catastrophic."

[The Globalization of Natural Gas](#)

The decline in crude oil prices gets all the headlines, but the first globalized natural gas glut in history is driving an even more drastic collapse in the cost of gas that cooks food, heats homes and runs factories in the United States and many other countries.

With industrial and utility use of natural gas declining, gas prices in the United States have already declined by two-thirds since the summer. Prices are not likely to go down much more, experts say, but an increase in imports is likely to keep them low until the global economy recovers and drives demand back up.

Gas industry executives expect that liquefied gas imports into the United States will at least triple in the second half of this year. (rut roh raggy - could kill yet another "thesis") That comes as domestic producers have lowered their rig count in natural gas fields around the country by 50 percent in the last several months because of the fall in prices, leading to an expected drop in production by the end of the year.

[Los Alamos' security flaws exposed](#)

An Energy Department investigation into a plutonium mix-up reveals deficiencies that the New Mexico nuclear weapons lab must address, an official says.

The confidential investigation concluded this week that statisticians at the lab had miscalculated the amount of plutonium at its facility and that none was actually missing.

Although the finding eliminates the worst-case scenario -- that the material left the facility and ended up in rogue hands -- it raises doubts about the lab's management at a time of growing concern about nuclear terrorism.

[roadways to get more bang for stimulus buck](#)

The Arizona Department of Transportation has begun soliciting bids for highway projects using the first batch of federal stimulus funds, and it says historic drops in construction costs mean the money likely will pay for more roadwork. . .

About half the rural projects involve pavement repairs, heavily affected by the price of asphalt, the tarry byproduct of oil refining used for road surfaces.

Its price, however, is the most volatile of highway-construction raw materials. As the price of crude oil shot up last year, asphalt prices spiked 46 percent by September. When crude fell, asphalt costs slipped 16 percent by January. That makes rural Arizona's projects more susceptible to the swings of the global oil market.

[Clean fuels are a social panacea - EPA](#)

Shifting the United States to clean-burning renewable fuels has the potential to cut through a thicket of thorny social ills and solve long-standing problems across the entire spectrum of American life, from manufacturing to national security to clean water, the country's top environmental cop said on Wednesday.

U.S. Environmental Protection Agency Administrator Lisa Jackson spoke before 150 scientists, lawyers, industry executives, activists and others gathered at this alpine town for a three-day conference on the country's energy future.

She said weaning the country from fossil fuels remains a top priority of the Obama administration because it offers such a broad suite of solutions across all aspects of American life: rewarding innovation, discouraging pollution, investing in jobs and encouraging energy independence.

[Crude Oil Rally Is Vulnerable as Contango Widens, Goldman Says](#)

Oil's rally to a four-month high is vulnerable to a correction because near-term demand for crude isn't yet strong enough to support a sustained advance, Goldman Sachs Group Inc. said. . .

Oil for May has gained 10 percent since the Federal Reserve announced plans to spur a U.S. recovery by purchasing \$300 billion of treasuries to bring down long-term interest rates. That raised demand for longer-dated crude futures on speculation the policy would boost economic growth coupled with concern the increase in money supply may spark inflation.

"Last week's rally was entirely back-end driven as the focus shifted to future fundamentals following quantitative easing efforts," Goldman said. A more sustained

advance is possible “once it becomes clear that the underlying balance of the market has tightened enough to draw inventories globally.”

[Australian Treasurer Blocks Minmetals Offer for OZ Minerals](#)

Australian officials blocked China Minmetals Corp.'s 2.6 billion Australian dollar (US\$1.83 billion) takeover bid for OZ Minerals Ltd., but left room for a revised bid, highlighting the complications that could arise as regulators consider another Chinese company's proposal to invest \$19.5 billion in mining giant Rio Tinto.

Australian Treasurer Wayne Swan Friday said the government would block the deal in its current form because its Prominent Hill operations are in the Woomera Prohibited Area in South Australia, a weapons testing range. OZ Minerals Chief Executive Andrew Michelmore said the miner is discussing possible changes to the transaction and will make an announcement as soon as possible.

[Coal Hard Facts: Cleaning It Won't Be Dirt Cheap](#)

Coal, more than any other fuel, powers the planet. It is the primary source of electricity in dominant economies from the U.S. to China to Germany. In all those places, coal is cheap and, unlike oil, domestically plentiful. Its use is rising, particularly in developing countries that soon will consume more energy than the industrialized world. . .

Right now, clean coal seems both possible and improbable. The basic elements of clean coal are already in use in small corners of industry. But whether it is broadly and quickly adopted around the world will depend less on science than on economics. Cleaning coal is very expensive.

Home to one of the world's most advanced clean-coal tests, the Pleasant Prairie power plant exposes the hyperbole on both sides of the debate. Fired up three decades ago, the plant has run full-bore ever since, adapting time and again to new environmental rules and still churning out some of the cheapest energy in the nation. It burns some 13,000 tons of coal daily to produce 13% of the electricity consumed by all of Wisconsin.

[What we learned from the Exxon Valdez](#)

It is 20 years since the Exxon Valdez supertanker ran aground in Alaska, spilling 38,000 tonnes of crude oil into the sheltered waters of a picturesque sound. It wasn't the biggest oil spill recorded but it was, arguably, the most iconic. . .

One of the biggest lessons is the lingering effect of an oil spill in a sheltered area with soft, sandy sediment - exactly the kind of environment found in the shallow areas of Prince William Sound where some of the oil came ashore. . .

"When you look at the effects of natural weathering, it can actually be better than

intervention," he adds. Winds, tides and bacteria can do the job just as well, he says.

[Pedal Power May Help New Zealand Lure Tourists, Revive Economy](#)

New Zealand may turn to pedal power to revive its sinking economy.

In a bid to boost employment and tourism, Prime Minister John Key is promoting a bike path winding about 3,000 kilometers (1,865 miles) that he says would generate 4,000 jobs during construction and entice cyclists to tour the country.

The project -- which would cost at least NZ\$50 million (\$28 million) -- is one of almost two dozen that government and business leaders are evaluating following a jobs summit Key held last month. Several proposals support the tourism industry, which accounts for a tenth of the NZ\$180 billion economy and employs 187,000 people.

[Sharp Shares Rise on Report of Toshiba Solar Tie-Up](#)

Sharp Corp., the world's second- largest solar-battery maker, rose to the highest in more than two months in Tokyo trading on a newspaper report the company may ally with Toshiba Corp. to make solar-power generation systems.

[China Industrial Profits Fall First Time on Record](#)

Chinese industrial companies' profits dropped for the first time on record as the global recession cut demand for exports from the world's third-largest economy.

Net income sank 37.3 percent in the first two months of 2009 from a year earlier to 219.1 billion yuan (\$32 billion), the statistics bureau said today. . .

China Shipping Container Lines Co., the country's second-largest cargo-box carrier, said yesterday its 2008 profit tumbled 99 percent as a global recession caused rates to plummet. . .

Today report showed profits dropped 86.1 percent for oil and gas exploration companies, 96.3 percent among electronic and telecommunication manufacturers and 77 percent for power generators.

[Vehicle Mileage in U.S. Said to Be Set at 27.3 MPG for 2011](#)

The U.S. will announce a U.S. fuel- economy requirement of 27.3 miles per gallon for 2011 cars and light trucks, an increase of 2 mpg, as early as today, an Obama administration official said.

The standard for cars will average 30.2 mpg, up from 27.5 currently, and 24.1 for light trucks, up from 23.1 mpg for 2009 models, according to the official, who declined to be identified because the targets haven't been announced publicly. The guidelines are part of a 2007 law intended to curb emissions and fuel use.

[Southern Star Shines Brighter with Third Haynesville Well Discovery](#)

Southern Star has successfully drilled and logged the targeted Haynesville interval in its Boyce-Pate 16-1 Well, with positive results. This well is strategically located in the east-central section of the Company's Sentell Field in Bossier Parish, Louisiana. This well successfully encountered its Cotton Valley target, logging 66 feet of net gas pay in the Davis Sand intervals before the Company drilled ahead to further evaluate the well's Haynesville potential. The Boyce-Pate 16-1 Well reached a total depth of 11,200 feet on March 21, 2009. This is the third well in the Company's Haynesville development program, and the last of three Haynesville Shale vertical test wells in the Sentell Field planned this year. . .

Gibbs continued, "Despite the recent drop in commodity prices, the Cotton Valley and Haynesville formations may be two attractive plays in the continental United States.

[DOE touts CBM water breakthrough](#)

Research sponsored by the US Department of Energy has yielded a way to distinguish between groundwater and the water produced with coalbed natural gas, which could boost CBM production in Montana and Wyoming.

The breakthrough could help regulators ensure that produced water doesn't contaminate groundwater wells, an aspect of development that has drawn fire from residents and environmental groups.

Researchers at the University of Wyoming used differences in the isotopic carbon-13 to carbon-12 ratio to differentiate between groundwater and produced water.

[Wyoming Lands Off-Limits to Oil and Gas Development](#)

According to a report by Dow Jones Newswires, a leasing ban has been included in a U.S. bill that puts more than one million acres of land in Wyoming off-limits to oil and gas exploration and development. The purpose of the ban is to secure more than two million new acres of wilderness.

Cleared by the Senate, the bill was given the go-ahead by the U.S. House of Representatives on Wednesday when it passed after a 285-140 vote and is expected to be signed into law by President Obama, the report said.

[Crude Oil Settles above \\$54 First Time This Year](#)

Crude oil resumed its rally and closed above \$54 for the first time this year on Thursday as U.S. stocks surged on upbeat economic data and earnings reports.

[The Peak Oil Crisis: Pondering the Near Future](#) (Tom Whipple)

We are faced with three serious problems that are going to bring about radical changes in our lifestyles. In order of urgency, the problems are the great economic recession/financial crisis, the peaking of world oil and other fossil fuel production, and global warming. The opening effects of these problems are already upon us, but it will be months, years, and in the case of global warming, decades before their full impact is felt. . .

What appears to be lacking in the current economic debate is a coherent plan of where the U.S. and indeed the world's civilizations need to go. Unfortunately the only stated, and politically feasible, goal at the minute seems to be a return to "economic growth," an objective which is clearly unrealizable in the midst of the current but as yet unrecognized transition to non-fossil fuel energy.

Gradually, the realization will set in that returning to "economic growth", with cheap credit, McMansions in the suburbs, traffic jams and large cars simply is not going to happen. Somewhere in the next 12 months to 12 years the realization will come that returning to the abundance of the oil age is not going to happen for a long while and we can settle down to serious work.

[The 50 Top Blogs Shaping the Energy Debate](#)

Energy, how much it costs, where we derive it from, and the conflicts that arise are heated political issues in this day and age. The energy debate has lasted for generations and will no doubt continue to. But using the internet as a resource, users can sift through information, separate research from opinion, and draw their own conclusions using what we consider to be the 50 most influential blogs on the issue, listed below. . .

Oil Blogs

A dangerous and controversial source of energy, these blogs contain news, information, research, and the various myths on oil. Whether you believe oil has a fast approaching peak or is still the best option for energy, these blogs will inform, as well as entertain.

40. The Oil Drum: This blog's mission is to facilitate civil, evidence-based discussions about energy and its impact on our future. The Oil Drum's goals are to raise awareness, host civil discussions, conduct research, and create a community committed to a solution. Visitors can read about oil in different regions of the world, get updates, and join in the discussion.

[Gas Falls Below \\$4, Storage Levels Rise](#)

Prices of natural gas fell sharply following the release of U.S. government data showing a surprise build in the level of gas in storage last week.

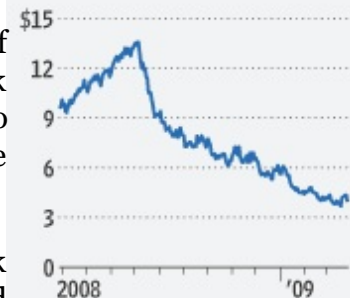
The U.S. Energy Information Administration said the amount of natural gas in storage rose by three billion cubic feet in the week ended March 20, bringing the total amount of gas in U.S. storage to 1.654 trillion cubic feet. That is 29% higher than at the same time last year and 20% higher than the five-year average.

The report caught market participants by surprise and could mark the end of the natural-gas-withdrawal season, when gas is pulled from storage to meet demand for heating. Analysts and traders surveyed by Dow Jones had expected storage levels to fall by 11 billion cubic feet, according to an average of estimates.

Natural-Gas Futures

Daily settlement price on the continuous front-month contract

Thursday: \$3.947 per million BTUs, down 38.2 cents



Source: Thomson Reuters Datastream

[Rio Tinto Sees Alternatives to Chinalco Deal](#)

Rio Tinto has other options if its \$19.5 billion transaction with Aluminum Corp. of China, fails, Rio Tinto Chief Financial Officer Guy Elliot said.

"Like any prudent company, in these uncertain times, it is, of course, sensible to consider contingencies," he said, after speaking at the Asia Mining Congress in Singapore on Thursday. "This is the way we always work."

What's proposed is an investment in Rio Tinto by the state-controlled company, known as Chinalco, with the Chinese company increasing its interest to as much as 18% from 9%.

But in the unlikely event of the deal not going through, the Anglo-Australian company has other options, such as a bond or rights issue and more asset sales to raise funds, he said.



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