



DrumBeat: May 21, 2009

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Topic: [Miscellaneous](#)

[Robert Bryce - There Will Be Many Barnetts: A Q&A with Roberto Aguilera](#)

I mean that by using creativity the industry is finding keys to unlock the North American unconventional natural gas endowment which is, simply put, gigantic. The first shale well was drilled in 1821 in Chautauqua County, New York, and probably produced gas for local uses through natural fractures. It is significant that the very first shale well already introduces the key element of natural fractures, created by Mother Nature, for successful production of natural gas. The Big Sandy gas field in eastern Kentucky, which started production from Devonian shales in 1921 is a classic example of a naturally fractured reservoir. In my opinion, the same key elements hold true today and are partially responsible for the revolution in gas production. The addition of hydraulic fractures to these already naturally micro-fractured reservoirs leads to the monsters we are pursuing today with horizontal wells that will dominate the North American energy landscape for decades to come. John A. Masters of Canadian Hunter indicated in the foreword of our book "Horizontal wells, Formation Evaluation, Drilling and Production" (1991) that the well design should be approached from the point of view that drilling the target formation is a completion operation as there are many subtleties that can be addressed easily in the preplanning stages that may be virtually impossible to correct once the well is drilled. This drilling-completion vision by a new breed of geologists and engineers working as a team with a common goal in mind has been pursued by many in North America with outstanding results.

[Economics: Peak-nik](#)

Another round of triple-digit oil prices, Rubin warns, will see a relocation of manufacturing to Hamilton from Guangdong. Western access to cheap Asian labour will decline as energy prices rise — and that's going to increase the price of basic goods, like food, by as much as 40%. Also in Rubin's crystal ball: \$7-a-gallon gasoline in the United States, along with a crash in the greenback that will make driving so expensive that many poorer Americans will realize they can no longer afford it. One-fifth of all cars on the road will be gone in a decade.

Rubin doesn't flinch as he sets forth his vision: "I think the economy of the future is going to be more like the '60s or the '70s. Because of cheap oil, we got used to plentiful blueberries in Canada in the winter. But in the '60s, the only blueberries you would have got were canned or frozen. We're going to go back to that to some extent. For the people in this mall, it's going to be a big change."

It's a frightening scenario, especially for anyone who kind of likes things the way they are. Do we really have to prepare ourselves for a world without easily available fresh sushi (at least if you live far from the ocean), with less travel, fewer consumer choices, smaller energy footprints, reduced lifestyles — an overall contraction of civilization?

[Bust and boom](#)

Despite this growing glut, however, the price of oil has been rising steadily in recent weeks (see chart 2). On May 20th it closed above \$60 a barrel for the first time in more than six months. That marks an increase of more than 75% since February 12th, when it sank below \$34—the fourth-biggest three-month rise on record, according to Mr Currie. The price of futures contracts suggests that energy traders see the price rising higher still in the coming months and years.

The explanation is simple. Oilmen are worried because they believe that many of the factors behind the record-breaking ascent last year remain in place. Much of the world's "easy" oil has already been extracted, or is in the hands of nationalist governments that will not allow foreigners to exploit it. That leaves firms to hunt for new reserves in ever more inhospitable and inaccessible places, such as the deep waters off Africa or the frozen oceans of the Arctic. Such fields take a long time and a lot of expensive technology to develop. Worse, new discoveries tend to be smaller than in the past and to run dry faster.

[With Oil Prices Poised to Jump as Much as 70%, Every Investor Needs an Energy Strategy](#)

The U.S. news media has convinced many investors that oil consumption is falling because of the global recession. While that may be true, it's a disservice to millions of investors because production is declining at a pace that's actually three times faster.

And that suggests higher oil and gasoline prices in coming months - perhaps as much as 50% - 70% higher, or more - particularly if a U.S. economic recovery is truly in the offing.

[Oil Industry Braces for U.S. Trial on Rights Abuses](#)

The execution of the Nigerian author and advocate Ken Saro-Wiwa in 1995 left lingering questions in the minds of many about the relationship between the oil giant Royal Dutch Shell and Nigeria's repressive former regime. Now, 14 years later, Shell will appear before a federal court in New York to answer charges of crimes against humanity in connection with Mr. Saro-Wiwa's death.

The landmark trial is the latest in a series of cases aiming at some of the world's biggest oil companies, claiming misdeeds in developing countries where they were once seen as

unassailable. Oil companies are being sued on charges of environmental damage, collusion with repressive governments and contributing to human rights abuses, among others.

Chevron, for example, could face up to \$27 billion in liability in Ecuador for pollution of the jungle.

Exxon Mobil is being sued by Indonesian villagers from the province of Aceh who allege human rights violations committed by soldiers hired to guard a natural gas plant.

And these legal challenges are just the latest tests for an industry increasingly hard pressed to find new sources of petroleum.

[OPEC malcontents challenge oil output targets](#)

LONDON (Reuters) - A near-doubling of oil prices since the end of last year should give OPEC the chance to take a bow next week for its disciplined output cuts, but there will be discontent in the wings of the producer group's meeting.

[Are Wall Street speculators driving up gasoline prices?](#)

Oil and gasoline prices are rising fast as Memorial Day weekend approaches, but not because supplies are tight or demand is high.

U.S. crude oil inventories are at their highest levels in almost two decades, and demand has fallen to a 10-year low, but crude oil prices have climbed more than 70 percent since mid-January to a six-month high of \$62.04 on Wednesday.

Meanwhile, although refiners are operating at less than 85 percent of capacity, leaving them plenty of room to churn out more gasoline if demand rises during the summer driving season, the price of gasoline at the pump has climbed 28 cents a gallon from a month earlier to \$2.33.

This time, Wall Street speculators - some of them recipients of billions of dollars in taxpayers' bailout money - may be to blame.

[Pulitzer Prize-winner Daniel Yergin: We think by next year we certainly will have an average price of oil well above 50 dollar per barrel](#)

We really don't publish any specific forecast. But we think that as the world economy covers, it is expected that oil price recovers. We have two key questions now: first, how many oil and gas projects are postponed and secondly, how strong the timing of global economic recovery. Global GDP will be the prime determinant of the oil price. You can't predict oil price independently of the economy and I think right now people feel more optimistic that they were few months ago. Probably by 2010 we will be in recovery. I

mean all stimulus money will start to impact on the economy. We think by next year we certainly will have an average price of oil well above 50 dollar per barrel.

[Oil tanker market to stay in doldrums in 2009](#)

LONDON (Reuters) - A crude oil rally above \$60 will not provide much comfort for the oil tanker market as weak global demand and a growing fleet of vessels will dog hopes of a recovery in seaborne freight rates.

The International Energy Agency (IEA), energy adviser to 28 industrialised countries, forecast this month that world oil demand this year will post the sharpest annual fall since 1981.

Pledges by the Organization of the Petroleum Exporting Countries to cut production has also taken its toll.

"With oil demand contracting this year and with a lot of the associated reduction in oil production coming from OPEC countries which support seaborne crude trade, the tanker market is getting hit from both sides," said Tim Smith, shipping analyst with consultants Maritime Strategies International (MSI).

[New find may add to Mexico's biggest oil field-Pemex](#)

MEXICO CITY (Reuters) - An exploration well drilled near the offshore Ku Maloob Zaap heavy oil field, Mexico's most prolific producer, appears to show reserves at the complex that could be more than previously thought, the head of Mexico's state oil company said on Wednesday.

The Tekel-1 well, drilled 6 kilometers away from another well known as Ayatsil, flowed at 6,000 barrels per day when completed in February.

"This well alone brought 100 million barrels of oil equivalent of new reserves and confirmed the extension of the Ayatsil field," Pemex Chief Executive Jesus Reyes Heróles told reporters.

[Chevron says Nigeria oil pipe back](#)

US supermajor Chevron said today that oil transport had resumed on one of its pipelines in Nigeria, which was damaged in March.

The Makaraba-Utonana pipeline in southern Nigeria's Niger Delta was attacked on 13 March, which led to a shut in of 11,500 barrels per day of crude oil.

[Russia, Ukraine on verge of new gas row - source](#)

ASTANA (Reuters) - Russia and Ukraine are on the verge of a new gas dispute, a Russian government source said on Thursday, adding the row was now centred around gas stocks in Ukraine to ensure smooth Russian gas transit to Europe.

..."If Ukraine cannot solve the problem of stockpiling gas in the summer, it would mean that Naftogaz won't be able to meet its transit obligations to European customers this winter." the source said.

[Weak economy helps New York avoid power problems](#)

NEW YORK (Reuters) - New York's power grid operator does not expect any reliability problems during the next 10 years as efficiency gains and the recession take a toll on demand, the New York Independent System Operator (NYISO) said in a report this week.

[Summer's here. So are higher gas prices](#)

NEW YORK (CNNMoney.com) -- With the Memorial Day weekend and summer driving season approaching, motorists are facing a familiar trend -- surging gasoline prices.

But while pump prices have increased more than 15% over the last 23 days, and are likely to go even higher over the coming weeks, experts don't foresee anything like the record levels of 2008.

[Renewables: America's next heavy industry](#)

How three manufacturers in three Midwest states are picking up where the auto sector is laying off.

[Ignore the spin: Coal gasification is a stupid idea](#)

For anyone lured by the prospect of "clean coal" - the process of pumping huge amounts of energy into a solid fuel simply to change it into a gas or liquid before burning it - take note.

The US National Academy of Sciences (NAS) just released a comprehensive study on coal gasification that came to the following conclusions:

- Without geologic storage of the CO₂ produced in the conversion process, the greenhouse gas emissions from coal-based fuel would be about twice that of oil.

- With geologic storage, CO2 emissions would be nearly equivalent to those from oil.

[Oilsands the wrong whipping boy](#)

While the oilsands do have their environmental challenges, Greenpeace would be better served by acknowledging the real problem isn't the oil produced from the oilsands--it's the emissions from coal-fired electricity, not to mention the dinitrous oxide that is generated as part of the fertilizer production process.

[IEA warns of slide in energy investment](#)

The economic downturn is cutting investment in energy supply, raising the risk of higher prices in future that could hamper any recovery, the chief economist of the International Energy Agency said yesterday.

Fatih Birol, The IEA's advisor to 28 industrialized countries, said in an interview he expected oil and gas upstream investment to fall 21%, or about US\$100-billion (\$113.8-billion), in 2009 from 2008 due to the global recession.

"Energy investment is plunging," Mr. Birol said. "If these two come together --a further cut down in the investment and a quick and strong recovery in the economy -- we may have difficulties in the oil market in a few years' time."

[IEA Says Cuts in Oil Spending May Lead to Price Jump](#)

(Bloomberg) -- Oil prices may jump in four to five years because energy companies, fighting the worst recession in more than six decades, are cutting investment in new projects, International Energy Agency Chief Economist Fatih Birol said.

[Traders look to unload crude stored offshore in U.S.](#)

NEW YORK/MEXICO CITY (Reuters) - Trading firms are offering to sell large volumes of foreign crude into the United States in what could be the first steps to unload their large offshore storage positions as the crude futures curve flattens.

Front-month crude oil futures are trading near their lowest discount to second-month futures since late 2008. The spread between July and August WTI futures fell as low as 40 cents a barrel on Wednesday. As recently as mid-April, the spread was wider than \$2 a barrel.

The narrowing spread means that trading firms cannot profit from storing oil offshore as they have in recent months, to reap the benefits of discounts for prompt oil prices.

[U.S. crude oil and gasoline stocks fall sharply: EIA](#)

NEW YORK (Reuters) - U.S. crude inventories fell last week for the second straight time as imports remained low while gasoline supplies dropped much more than expected, the Energy Information Administration said in weekly data released Wednesday.

U.S. crude futures rose \$2 to more than \$62 a barrel after the EIA issued its weekly oil data. The gasoline supply draw in the world's top energy consumer comes as millions of Americans gear up to take to the road for the May 23-25 Memorial Day holiday weekend, seen as the start of the summer driving season.

[Energy firm warns prices to fluctuate](#)

RAPIDLY fluctuating energy prices like those experienced throughout 2008 are likely to become the norm in the future, a leading British energy company warned today.

Scottish and Southern Energy said last year was a "foretaste of what is likely to happen as the supply of finite resources like oil and gas begins to struggle to keep pace with the demand".

[CNPC, Sinopec assure refined oil supply](#)

China's State-owned oil giants China National Petroleum Corporation (CNPC) and China Petroleum and Chemical Corporation (Sinopec) yesterday refuted earlier media reports that they had halted refined oil wholesaling operations in some areas in China, according to Xinhua News Agency.

The two companies also claimed that in order to support reconstruction work, they have adopted measures to ease the refined oil supply shortages in Chengdu, Sichuan province, caused by strain on railway transportation.

[The master's voice](#)

Yergin has an interesting observation to make on the current attempts to revive the US economy. "People seem to have forgotten," he says, "that one of the factors leading in to this deep recession was the impact of very high oil prices over seven consecutive years. Detroit was not knocked on its back by the collapse of Lehman Brothers, but by what happened at the gasoline pump."

[Oil's Open Interest Slump Signals Prices May Drop, BNP Says](#)

(Bloomberg) -- A slump in the number of outstanding crude oil futures to the lowest in seven months signals that this year's rally is about to fizzle out, BNP Paribas SA said.

[Russian Delegation Unlikely to Attend OPEC Meeting, RIA Says](#)

(Bloomberg) -- Russian Deputy Prime Minister Igor Sechin said a Russian delegation probably won't attend a May 28 meeting of the Organization of Petroleum Exporting Countries, RIA Novosti reported.

[Needing cash, Calif. rethinks offshore oil ban](#)

LOS ANGELES - With California facing a huge budget deficit, officials at the state Department of Finance saw an opportunity to resurrect a controversial proposal for oil drilling off the coast of Santa Barbara as a way to boost revenue and potentially bring \$1.8 billion into state coffers over time.

[Leeb: Oil Above \\$60/Barrel: Still Cheaper than a Cup of Coffee](#)

Crude oil prices are once again above \$60 a barrel and local television newscasts have returned to that old chestnut, consumers grouching about the high cost of gasoline, to fill airtime. Never mind the fact that despite the great lengths we go to extract, transport and refine it, ounce-for-ounce petrol is still far cheaper than a cup of coffee or bottled water.

It's curious that the gains in oil (which is up approximately 75 percent from its lows) and gasoline (up more than 50 percent) have occurred amid the greatest oversupply in a generation.

The financial crisis and subsequent economic contraction has pushed peak oil—the point at which the world is unable to increase oil production—from the public's psyche. But it will not meaningfully delay the inevitable decline in output.

[Nigeria's Oil Output Drops to Less Than Half Capacity](#)

(Bloomberg) -- Nigeria's oil output has fallen to less than half capacity because of militant attacks in the main producing region over the past three years, Petroleum Minister of State Odein Ajumogobia said.

[Saudi begins pumping oil from Nuayyim field](#)

KHOBAR, Saudi Arabia: Top oil exporter Saudi Arabia began pumping from its 100,000 barrels per day Nuayyim oilfield this week, a Saudi industry source said yesterday. Nuayyim is one of three oilfield projects due for completion by the end of June to take Saudi total production capacity to 12.5 million barrels per day (bpd). The project was close to full completion, with potential to pump nearly 100,000 bpd, the source said. State oil firm Saudi Aramco was ramping up production slowly, he added, declining to estimate output.

[Petrobras eyes \\$300m Black Sea spend](#)

Brazilian giant Petrobras sees its investments in the Black Sea totalling \$300 million over the next two years, its international director Jorge Zelada said.

Petrobras agreed this year to drill two exploration wells with Turkish player TPAO in Turkey's sector of the Black Sea. .

[Memorial Day Weekend Will Lure More Travelers With Gas at \\$2.33](#)

(Bloomberg) -- More Americans may take road trips this Memorial Day weekend than they did last year to take advantage of discounted hotel rooms and a 39 percent decline in gas prices.

[Shell to announce '09 hurricane updates on Twitter](#)

HOUSTON (Reuters) - Shell Oil Co (RDSa.L) said Wednesday it will use instant messaging system Twitter to announce hurricane updates during the 2009 storm season.

The innovation is aimed at the news media in an effort to keep journalists quickly informed of storm developments, but the service will be available to the public, Shell said.

[US charges 2 with defrauding Venezuela company](#)

NEW YORK, May 20 (Reuters) - An executive and an employee of a broker-dealer firm were charged with defrauding Citgo Petroleum Corp, a subsidiary of PDV Holding Inc owned by Venezuelan state oil company PDVSA [PDVSAC.UL], court documents released on Wednesday show.

In a purported fraud possibly involving hundreds of millions of dollars, FTC Capital Markets Inc Chairman Guillermo Clamens and Nazly Cucunuba Lopez, also known as Lina Lopez, were criminally charged with conspiracy, securities fraud and wire fraud.

[Venezuela seizes 35 oil contractors under new law](#)

CARACAS, Venezuela - Venezuela's state oil company is seizing control of 35 oil contractors under a new law, President Hugo Chavez's government said Wednesday.

The takeovers will affect dozens of local companies that provide transport and other services to Venezuela's state oil company on western Lake Maracaibo -- including Alloys CA, Brucciani & Paltrinieri CA, and Flag Instalaciones SA. The order took effect upon its publication in the Official Gazette issued Wednesday.

Also named is SIMCO consortium, which injects water into oil fields to improve recovery.

[Barter clubs expose Argentina's weakness](#)

BUENOS AIRES, Argentina -- They line up early every Saturday morning at the decrepit gymnasium that houses the La Matanza Barter Club.

Club members shuffle in carrying sacks stuffed with everything from homemade clothing to homegrown vegetables, set up their stands and begin a day of bartering.

The La Matanza Barter Club in the working-class Buenos Aires neighborhood of Isidro Casanova is one of more than 100 that now function throughout Argentina. They provide a vital service for people who are short on cash by helping them make ends meet.

[John Michael Greer: The economics of decline](#)

The post in question pointed out that today's much-hyped "information superhighway," far from being the wave of the future so many of its promoters claim it to be, was a temporary product of the last hurrah of the age of cheap energy and can't be expected to survive for long as that age winds down. Instead, as the economic burden of the internet's immense energy usage begins to bear down, other technologies less dependent on huge energy inputs will become more economical, driving a spiral in which rising costs and restricted access will cut into internet service while simpler technologies absorb a growing range of its current economic roles. Finally, when economic contraction and social disintegration have proceeded far enough, the internet will simply drop out of use altogether because the economic basis for its operation will have gone away.

Most of those who objected to this sketch of the future, in turn, relied on a very curious logic. The internet will remain viable and widely accessible, they claimed, because the economic advantages of keeping it are so great. Those few who addressed the issue of costs at all simply insisted that technological progress would allow the internet to use less power than it does at present, and left it at that. The same arguments, interestingly

enough, were deployed in earlier discussions about railroad technology: most critics simply insisted that railroads were efficient and economically advantageous, while a few suggested that they could be run more efficiently than they are now.

All this is true, but it misses the central issue I've tried to raise in the last few posts – the impact of energy and resource scarcity on the relative costs and benefits of different technologies – and it also dismisses the even broader issue of whether such energy-intensive technologies are sustainable at all in the future ahead of us. It's a dizzying departure from reason to insist that the advantages conferred by the internet mean that the internet must continue to exist. The fact that something is an advantage does not guarantee that it is possible.

[Carolyn Baker: Simplicity on the outside, complexity on the inside](#)

As I dialog with readers of *Truth to Power* and countless numbers of other individuals around the world who are collapse-aware and are consciously navigating it, I am profoundly moved by their stories of the internal preparation that has occurred and continues to flourish as they hunker down for some of the most dramatic transitions in the history of life on earth.

[Healing Mother Earth: E.O. Wilson](#)

Renowned scientist E.O. Wilson delivers a plea for a new human ethic based on a wiser, more careful stewardship of our vanishing natural world while sharing his optimism that we still have an opportunity to save the living things and wild places that sustain us.

[Obama says U.S. must get in front on green energy](#)

(CNN) -- President Obama said Wednesday the United States must take the lead on energy, citing the "enormous job creation potential that exists."

[Stricter mpg rules may be boon for automakers](#)

President Barack Obama is trying to shove U.S. automakers toward the future, a high-stakes wager that could help revive the industry in the long run, experts say.

By issuing rules aimed at sharply boosting vehicle gasoline mileage and slashing greenhouse gas emissions, experts say the Obama plan is just what carmakers need given the prospect of higher gas prices and worries about global warming.

[Talking Gearheads: Electric Vehicles and the Future of Cars](#)

As promised, Jim Motavalli of the *New York Times*' Wheels blog and I engaged in spirited discussion today about the future of electric vehicles. Jim has posted the debate at Mother Nature Network, where he regularly blogs about environmental issues.

[Getting Out From Behind the Wheel](#)

NEW YORK — Nate Silver, a baseball statistician who last year turned his number-crunching craft to political and social matters at the Web site FiveThirtyEight.com (it refers to the number of electors who choose the president of the United States), recently asked this question in a column for Esquire magazine: "Is America Still a Car Culture?"

[Follow the Science on Yucca](#)

The administration's budget for the Energy Department raises a disturbing question. Is President Obama, who has pledged to restore science to its rightful place in decision making, now prepared to curtail the scientific analyses needed to determine whether a proposed nuclear waste repository at Yucca Mountain in Nevada would be safe to build?

[Chinese Premier Wen Jiabao halts construction of power plant on Nu river](#)

The Prime Minister of China has ordered a halt to construction of a hydroelectric plant on one of the country's most remote and beautiful rivers. He has demanded an in-depth study of the likely impact on the local ecology and communities.

The decision, which will enrage power companies as well as local vested interests, was welcomed by China's increasingly vocal environmental campaigners.

[UAE nuclear energy plant seen ready in 2015-IAEA](#)

DUBAI (Reuters) - The United Arab Emirates has told the International Atomic Energy Agency it plans to have its first nuclear power plant ready in 2015, an IAEA official said on Thursday, although the body believes this is optimistic.

"The UAE government told us that the plant would be ready and generating power by 2015," Ali Boussaha, a director at the IAEA, told Reuters on the sidelines of a conference in Dubai.

[U.S. lawmakers reject nuclear in renewable power goal](#)

WASHINGTON (Reuters) - U.S. lawmakers pushing to include greater recognition for existing nuclear power in a national renewable energy standard failed to win new breaks

for the industry when a U.S. congressional panel on Wednesday voted down an amendment to a controversial climate change bill.

[Fresh Wind Blows Through Brazil's Energy Sector](#)

PARACURU - Nearly 50 years spent fishing from tiny sailboats have taught Manuel de Oliveira the power of the wind, but he was mystified when white windmills began springing up along the coast near his town.

"I did think they were pretty strange," he said as he shook his net out on a beach in Brazil's northeastern state of Ceara. "But the wind is the wind, and it works for everyone. Thankfully for us, it's free."

The strong, consistent winds that for centuries have powered the colorful wooden "jangada" fishing boats off Brazil's northern coast are now making the area the center of the country's fastest-growing energy sector.

[The dirty secret about clean coal: It doesn't exist](#)

"Clean coal" is a brilliant marketing slogan.

Unfortunately, it is, at best, a distant dream. At worst, an oxymoron.

True clean coal technology does not yet exist. Touting coal as clean is a bit like pushing potato chips as a diet food, or a couch as an exercise device.

[China to Boost Clean-Energy Use on Climate Change](#)

(Bloomberg) -- China, the world's second-biggest oil user, will boost its ability to produce power from clean energy sources to 35 percent of total capacity by 2020 to counter climate change, State Grid Corp. said.

[China calls for 20pc emissions cut](#)

The pact must ensure wealthy nations "take on quantified targets to drastically reduce emissions", the statement said, issued by China's National Development and Reform Commission, which steers Chinese climate change policy.

[Union of Concerned Scientists - Climate 2030: A National Blueprint for a Clean Energy Economy](#)

Reducing oil dependence. Strengthening energy security. Creating jobs. Tackling global warming. Addressing air pollution. Improving our health. The United States has many

reasons to make the transition to a clean energy economy. What we need is a comprehensive set of smart policies to jump-start this transition without delay and maximize the benefits to our environment and economy. *Climate 2030: A National Blueprint for a Clean Energy Economy* (“the Blueprint”) answers that need.



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