



## Drumbeat: July 29, 2009

Posted by [Gail the Actuary](#) on July 29, 2009 - 9:03am

Topic: [Miscellaneous](#)

[H. Sterling Burnett: Developing shale oil may solve our energy crisis](#)

Oil from shale is ideal for use as premium jet or diesel fuel and for other valuable industrial products because of its high hydrogen content. Its consumption produces less carbon dioxide per unit of energy than conventional gasoline.

Developing America's domestic oil shale resources would also provide an economic boon to a flailing economy. The RAND Corporation estimates that a 3 million bbl/day industry could generate \$20 billion in annual profits while reducing prices for consumers. Even better, we would be producing nearly three times as much oil as we import from Saudi Arabia each day and nearly four times as much as we get from Venezuelan strongman Hugo Chavez.

In addition, oil shale development and production would create as many as 100,000 direct and indirect new jobs during the operation of just a 2 million bbl/day shale oil industry. According to the DOE, federal and state governments would receive \$2 billion a year from income and sales taxes, royalties, and lease payments.

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### [Oil Tumbles While Stocks Sink](#)

Worry that poor economic conditions will restrain commodity demand and hurt profits of metals and oil companies helped drive stocks lower on Wednesday.

### [Dallas firm fueling change to natural gas in corporate fleets](#)

Corporate fleet vehicles are driven into the BAF Technologies factory on traditional diesel or gasoline but come off the car lifts as natural gas vehicles.

### [Marcellus Shale's Estimated Nat. Gas Yield Rises to Nearly 500 Tcf](#)

New calculations show the Appalachian Basin's Marcellus Shale formation could yield

enough natural gas to supply all U.S. needs for nearly two decades -- dramatically more than previous estimates.

Penn State University geosciences professor Terry Engelder projects nearly 500 trillion cubic feet of natural gas could be produced from the entire formation, which is found in portions of five states, including most of Pennsylvania.

### ['Smart Grid' Raises Security Concerns](#)

Electric utilities vying for \$3.9 billion in new federal "smart grid" grants will need to prove that they are taking steps to prevent cyberattacks as they move to link nearly all elements of the U.S. power grid to the public Internet.

The requirements from the Energy Department come amid mounting concern from security experts that many existing smart-grid efforts do not have sufficient built-in protections against computer hacking, such as new "smart meters" that put information about consumers' power use onto the Internet, grid-management software and other equipment. . .

Many such systems require little authentication to carry out key functions, such as disconnecting customers from the power grid.

### [USEC Denied Loan Guarantees](#)

White House spokesman Benjamin LaBolt said Tuesday that "the president remains fully committed to ensuring that the United States maintains domestic uranium enrichment technology and the capacity to meet our nuclear energy needs and national security priorities." But he added that the USEC technology "is not commercially viable today, according to an independent engineering review, and therefore not eligible for DOE's loan guarantee program at this time." He said the administration thinks the technology "holds promise."

USEC said that the technology was developed by the Energy Department during the 1970s and 1980s and that it uses a small fraction of the electricity used by the plant USEC currently operates in Paducah, Ky. USEC says it has improved the technology and tested it over "235,000 machine hours."

### [U.S. wind power installation slows](#)

New installments of U.S. wind energy in the second quarter of this year fell by more than half from the first quarter as the recession helped cut contracts for new turbines, an industry group said.

New installations totaled about 1,210 megawatts in the second quarter compared with about 2,790 MW in the previous one, the American Wind Energy Association said on

Tuesday.

"The recession is a force that is having an effect on the industry, as it is on most other industries," said a spokeswoman.

### [California's Expanded Drilling Plan Delayed But Not Dead](#)

A proposal by Plains Exploration & Production Co. (PXP) to expand drilling off California's coast, then shut down the rigs after several years, appears down, but not out, after a recent setback.

### [Rekindling the quest for stability](#)

Any push by the CFTC to tame speculators in the energy market is ultimately aimed at achieving the same goal [curbing volatility], though regulators will argue that consumers, rather than producers, would be the main beneficiaries. What constitutes a fair price will forever be debated, but the common thread here is the quest for greater stability.

Don't expect Big Oil to publicly cheerlead this new-found commitment to curb speculation. But there is every reason for the energy giants to quietly hope the CFTC can tamp down the volatility roiling their world these past few years.

Goldman Sachs Group and others at the leading edge of the commodities bubble will no doubt have a different take this. But again, if they get slapped with stricter rules, not many tears will be shed.

### [Oil producers seek pricing relief](#)

OKLAHOMA CITY -- Oil producers said Tuesday that declining demand in a global recession has produced a glut of crude at the massive Cushing oil storage terminal that is driving down the cost of the oil they produce. . .

Oklahoma produces about 180,000 barrels of oil a day. But that oil is selling for up to \$5 per barrel below market prices and up to \$18 below market during the winter months, Hamm said. Benchmark crude for September delivery fell \$1.15 Tuesday to settle at \$67.23 a barrel in trading on NYMEX.

### [California assembly drops offshore oil plan from emergency budget](#)

California's state assembly on July 24 passed an emergency budget package but deleted a bill that would have potentially authorized the first new oil and gas activity off the

Santa Barbara coast in 40 years.

### [Report: U.S. energy use fell in 2008](#)

The United States used 99.2 quadrillion BTUs, or “quads” of energy in 2008, down from 101.5 quads in 2007, according to the report.

Use of energy in the transport and industrial sectors of the economy fell slightly, while residential and business usage climbed slightly.

Usage of “green” or renewable sources grew, with the largest chunk of that coming from hydroelectric generation. Hydroelectric sources made up 34 percent of renewable energy generated in the United States last year. Even so, hydroelectric sources provided just 2.4 quads of U.S. energy in 2008.

Wood was the second most-used renewable source in the country last year, followed by biofuels, wind, waste, geothermal and finally, solar generation, according to the Department of Energy.

### [Venezuela freezes relations with Colombia](#)

Venezuelan President Hugo Chavez froze diplomatic relations with Colombia late Tuesday, citing verbal aggressions from the neighboring South American country.

Chavez recalled Venezuela's ambassador to Colombia, as well as most of the embassy's staff.

Chavez also threatened to take over Colombian companies operating in Venezuela if Colombia offends Venezuela one more time.

### [CNOOC Unlocks New Oil and Gas Discovery in Bohai Bay](#)

CNOOC has successfully drilled a new discovery in Bohai Bay. The newly discovered JZ 20-2N field is located in the northeast of Liaodong Bay, about 4 kilometers north to JZ 20-2 gas field.

The discovery well JZ 20-2N-1 penetrated oil pay zones with total thickness of 33.4 meters. The well drilled to a total depth of 3,720 meters, with water depth of about 16 meters. The well was tested to flow at an average rate of 1,900 barrels of oil and 3,450 thousand cubic feet of natural gas per day via 8.73mm choke.

### [Natural gas price drops could lead to shortfall in Oklahoma](#)

With natural gas prices still in the basement, budget officials are revising their estimates of how much Oklahoma can collect in gross production taxes on the product, a key source of state revenue.

### [BP, Valero results weigh on energy sector](#)

Oil major BP and U.S. refining leader Valero Energy Corp. cast gloom over the energy sector on Tuesday as the two energy giants signaled no quick exit from the current downturn in their businesses.

BP CEO Tony Hayward said he sees no concrete signs of rising demand for crude or natural gas. Valero said it could post another loss in the third quarter.

### [Oil Declines a Second Day as API Report Shows Rising Stockpiles](#)

Oil fell for a second day after an industry report showed increasing crude supplies in the U.S., the world's biggest energy consumer.

Crude inventories rose 4.07 million barrels last week, the industry-funded American Petroleum Institute reported late yesterday. The Energy Department will release its report later today. Oil extended losses as Asian and U.S. stocks declined after a measure of consumer confidence fell short of projections.

### [Iraq Cabinet OKs Law Establishing National Oil Co](#)

The Iraqi cabinet Tuesday approved a law providing for the establishment of a national oil company for the first time in decades, a government spokesman said.

Ali al-Dabbagh said that the cabinet submitted the new draft law to the country's parliament for final approval. . .

The reinstated national oil company would act as the parent of the existing three major Iraqi oil operators - the South Oil Co., Iraq's largest petroleum company in Basra; North Oil Co. in Kirkuk; and Missan Oil Co. in Ammarh in southern Iraq.

### [Exxon oil find shows Indonesia investment hurdles](#)

Exxon Mobil Corp's (XOM.N) Cepu find in this poor rice-growing area of Java was meant to revive Indonesia's flagging oil output, but nearly a decade later there has been barely a trickle of oil from the huge field.

Indonesia has the world's 10th largest natural gas reserves and 25th biggest oil

reserves, while it ranks in the top ten for copper, gold, nickel and tin, but a poor investment climate has deterred new foreign interest to develop its rich resources.

The snail's pace of pumping oil at Cepu, which ranks among the U.S. major's top 10 projects worldwide, illustrates the multiple barriers foreign resource firms often face developing projects in Southeast Asia's biggest economy.

### [Oil is Peaking But Not Because of Speculation](#)

Prices did ultimately fall, but not because the supply situation eased, nor because speculators fled the market, and not because inventories were released. Prices fell because the global economy collapsed.

This period then shows us two of the possible adjustment mechanisms in the era of peak oil: oil-less growth characterized by increasing prices and continuous, incremental adjustment; and recession accompanied by a dramatic steep drop in consumption and a collapse of oil prices. The lesson to be drawn is that conservation can work within limits, but at some point, there is a straw that breaks the camel's back and the whole system collapses. Ultimately, the inability of the oil supply to keep pace with global demand proved to be a key contributing factor to the current recession. However, that the proximate cause of the recession is China, not peak oil. China ultimately provided both the financial liquidity and the commodities demand which brought down the global economy. Were China not so large and not at its current stage of development, peak oil might have come and gone without anyone noticing for some time. As it was, China hit its stride just as the oil supply was stumbling. The issue was not, therefore, peak oil in and of itself, but rather the supply/demand imbalance caused by the inability of the global oil supply to adjust to China's incremental demand.



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