



## Drumbeat: January 25, 2010

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Topic: [Miscellaneous](#)

### [U.K. Firms Mobilize in New Falklands Foray](#)

LONDON—Twelve years after the last prospectors left the Falkland Islands, British oil-exploration companies are returning, lured by rising oil prices and advances in deep-water drilling technology.

But exploration and production around the remote wind-swept islands—best known as the location of a brief, bloody war 28 years ago—have been handicapped by a harsh climate and dicey politics.

Analysts say that as much as 60 billion barrels of high-grade oil could be found in the 200-square-mile economic zone surrounding the islands. If estimates prove correct, this could make the Falklands one of the world's largest oil reserves, comparable with the North Sea, which so far has produced about 40 billion barrels.

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high- and very low-probabilities for the amount of future oil discoveries). Despite the critics, the USGS's numbers from the 2000 study still retain their status as the official US government view.

### [Energy crisis threatens Venezuelan exports of fuel oil and diesel](#)

Venezuela's need to produce more energy, amid a power crisis, threatens declining exports of fuel oil and diesel, which are used in power generators throughout the country. "From now on, there will be an increase in diesel consumption in shopping malls and other places," said José Manuel Aller, an academic expert at Simón Bolívar University. "We are going to export much less" oil byproducts.

Exports of fuel had already declined in 2009 due to oil production cuts under the Organization of Petroleum Exporting Countries (OPEC) and growing domestic consumption in vehicles and power plants.

### [Beware the 4 new asset bubbles](#)

NEW YORK (Fortune) -- Here we go again.

Less than two years after the housing market collapsed, the U.S. economy is threatened by a new bubble in asset prices. This time, four billowing balloons are hovering: two commodities -- gold and oil -- stocks, and government bonds.

### [Shell & Big Oil's Exploration Challenge](#)

The oil business used to be simple. Find oil. Drill hole. Sell oil. Buy Stetson and private jet.

These days, you have to corral an army of engineers in the desert to build an enormous factory to transform natural gas into a liquid to be used like oil. The capital cost of Royal Dutch Shell's Pearl gas-to-liquids plant in Qatar is a cool \$18 billion or more -- 10% of its market capitalization. Like Chevron's Gorgon liquefied natural gas project offshore Australia, it shows what big integrated oil companies are capable of.

But have they neglected bread-and-butter exploration for lower risk, lower return engineering projects? Certainly, investors are unimpressed. A decade ago, the international oil companies (IOCs) accounted for 79% of energy sector market capitalization and nearly all its net income. Today the figures are 53% and 62%, according to Sanford C. Bernstein.

### [Drugs brings more money to Mexico than oil](#)

The country's drugs cartels, which control most of the cocaine and methamphetamine smuggled into the United States, are estimated to have brought \$25-\$40 billion (£15-£25 billion) into Mexico from their global operations in 2009.

A survey of analysts by the Reuters news agency estimated that as a result the drugs trade in Mexico is likely to have made more money than was earned by the state oil monopoly, Pemex, from exports of crude - the country's single biggest legitimate foreign currency earner.

### [Should Climate Activists Support Limits on Immigration?](#)

Immigrants to the developed world have frequently been blamed for unemployment, crime, and other social ills. Attempts to reduce or block immigration have been justified as necessary measures to protect "our way of life" from alien influences.

Today, some environmentalists go farther, arguing that sharp cuts in immigration are needed to reduce greenhouse gas emissions and slow climate change. However sincere and well-meaning such activists may be, their arguments are wrong and dangerous, and should be rejected by the climate emergency movement.

## [Kunstler: Swingtime](#)

The "green economy" that so many people idly blather about -- imagining that it will just mean running WalMart by other means than oil -- is actually an economy of awesome stringency. It's nothing like they imagine. It's a world made by hand. We should be turning our efforts and our remaining resources toward the task of becoming that differently-organized, finer-scaled society. The money that went into propping up the automobile companies could have been used to rebuild the entire railroad system between Boston and the Great Lakes, and the capital squandered on AIG and its offshoot claimants could have rebuilt everything else the rest of the way to Seattle. Is it really so hard to imagine what history requires of you? Apparently so.

## [Venezuela May Yield Twice as Much Oil as was Thought](#)

As to the likely outcome of this, even if sufficient quantities can be recovered it is to the EROEI (Energy Returned On Energy Invested) that we should look to determine the viability of sources of "oil". Middle East oil has various estimates of EROEI ranging from about 30 down to 8 (i.e. for each barrel of oil worth of energy, 30 to 8 barrels of oil may be recovered), while "oil" from tar sands is costed at anywhere from 3 down to 1.5. Clearly, whatever amount of hydrocarbon liquid fuels may be produced in the future, cheap, easily refined oil must soon peak, and along with it our global transportation network. It is the relocalization of civilization whose silhouette appears on the future horizon.

## [U.S. intelligence briefing: Taliban increasingly effective](#)

Washington (CNN) -- A December 22 briefing, prepared by the top U.S. intelligence official in Afghanistan and obtained by CNN, maps out the strategy and strength of the Taliban and their allies in Afghanistan, and concludes that the Taliban insurgency in Afghanistan is increasingly effective.

The briefing, which warns that the "situation is serious," was prepared by Maj. Gen. Michael Flynn last month. His assessment is that the Taliban's "organizational capabilities and operational reach are qualitatively and geographically expanding" and the group is capable of much greater frequency of attacks and varied locations of attacks.

## [At least 37 killed in Baghdad suicide bombings](#)

BAGHDAD - Three car bombs exploded Monday near three Baghdad hotels popular with Western journalists, security contractors and businessmen. At least 37 people were killed and more than 104 injured, security officials said.

### [Aging bikers taking to the streets on beefy trikes](#)

LOS ANGELES - Arthur McCoy didn't let the amputation of a leg because of cancer stop him from riding motorcycles. The solution to his disability came in the form of a third wheel.

McCoy is among a growing group of aging motorcyclists taking up trikes: three-wheeled motorcycles that provide the stability and nearly all the comforts of a car while still allowing riders to feel the wind in their face.

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### [Kurt Cobb: Days of world consumption: A warning label for oil and gas discoveries](#)

A few years ago I was speaking before a group shortly after a local oil company discovered what was characterized as the biggest find of oil on land in the United States in 30 years. The president of the company refused to speculate about the size of the find other than to say that it was "significant." The media suggested that it might amount to one billion barrels.

I mentioned this find to my audience and asked them how long they thought one billion barrels would last the world at the current rate of consumption. Guesses ranged from six months to three or four years. The correct answer was 12 days. Naturally, people were astonished and dismayed.

That is why I think it would prove useful for a warning label to come with each public announcement of a large oil or natural gas discovery. I understand that the companies that make these large finds are anxious to emphasize the size of the reservoir since this tends to goose the stock price. And, it is reserves that investors seem to react to, though, as it turns out, reserves are probably the least important factor in deciding whether a find is worth producing.

### [Gas prices drop a bit - survey](#)

(CNN) -- Gasoline prices fell an average of \$1.4 cents per gallon over the past two weeks, but remain well above last year's mark despite high unemployment cutting into demand, according to a new nationwide survey.

The latest Lundberg Survey, conducted Friday, found the average U.S. price for self-serve regular at slightly over \$2.72 per gallon. But that's nearly 87 cents a gallon more than drivers were shelling out in late January of 2009, said Trilby Lundberg, the survey's publisher.

### [Oil up near \\$75 in Europe as dollar weakens](#)

Oil prices rose to near \$75 a barrel on Monday, as the effects of a weaker dollar offset falls in stock markets over President Barack Obama's plans to restrict big banks.

### [China, setting the world's oil prices](#)

Well, Goldman Sachs' analysts think so. In their latest weekly commodities report, they point out that China's 1.6m b/d rise in crude imports almost perfectly offsets a 1.5m b/d decline in the same, from the US.

### [Morgan Stanley Expects Oil to Rise to \\$95 on Demand](#)

(Bloomberg) -- Crude oil traded in New York will rise by the end of this year to \$95 a barrel as demand recovers, Morgan Stanley forecast.

Declining crude inventories and the improving global economy will boost prices from current levels of around \$75 a barrel, said Hussein Allidina, a commodities analyst at Morgan Stanley, the second-biggest U.S. securities firm after Goldman Sachs Group Inc. Crude oil in 2011 will average \$100 a barrel, he said in a note today.

### [Ruble Falls in 'Catch Up' to Global Market Slump, Oil Below \\$75](#)

(Bloomberg) -- The ruble declined to its weakest level against the dollar this year and fell the most in almost a month versus the euro, after oil dropped below \$75 a barrel last week following the close of Moscow trading.

"The ruble is trying to catch up with Friday's oil price decline," said Stanislav Ponomarenko, a fixed-income analyst at ING Groep NV in Moscow. "The currency is very sensitive to global volatility. Any changes in risk appetite or oil price are fully

translated into the ruble.”

### [Iraq signs oil field deal with Exxon Mobil-Royal Dutch Shell consortium](#)

BAGHDAD (AP) — Iraq has signed a final deal with U.S. and European oil giants Exxon Mobil Corp. and Royal Dutch Shell PLC to develop a major oil field in the south.

Under the 20-year deal, the consortium will develop the 8.6 billion barrel West Qurna Stage 1 field for \$1.9 for every barrel produced. The deal could be extended for another five years.

### [Philippine Customs May Seize Shell Gasoline Imports](#)

(Bloomberg) -- The Philippine Bureau of Customs said it will confiscate gasoline imports by Royal Dutch Shell Plc's local unit to pay for disputed tax claims once a court lifts a restraining order on the planned seizure.

### [Minsk hits out in Russia oil row](#)

Minsk has accused Russia of acting illegally in applying full export fees to oil pumped to Belarus, in a sign that the dispute - which some fear could disrupt supplies to Europe - is far from resolved.

### [Newcastle Exports Rise; Ship Queue Near Two-Year High](#)

(Bloomberg) -- Coal shipments from Australia's Newcastle port, the world's biggest export harbor for the fuel, increased 14 percent last week while the queue of vessels waiting to load lengthened to near a two-year high.

### [Korea National Oil puts Canada on its radar](#)

Korea National Oil Corp. (KNOC), sitting on a multi-billion-dollar war chest, is setting its sights on Canada as the state-owned company aims to ramp up production and catch up to Asian rivals.

Seoul said this month that cashed-up KNOC will spend \$6.5-billion (U.S.) on M&A in 2010 in an effort to cut South Korea's almost total dependence on imported oil. That goal will put the company in direct competition with Asian energy giants such as PetroChina, Malaysia's Petronas, and India's ONGC.

### [Texas Sabine Neches Waterway Closed After Oil Spill](#)

(Bloomberg) -- The Sabine Neches Waterway, the Texas ship channel serving four refineries that process about 6.5 percent of total U.S. capacity, remained closed indefinitely after a collision between a tanker and vessel spilled about 11,000 barrels of oil, the U.S. Coast Guard said.

Cleanup crews are working 24-hours daily, Coast Guard Petty Officer Richard Brahm said in a telephone interview from Port Arthur, Texas. The waterway may open to vessel traffic within five days, Dow Jones reported earlier, citing Capt. J.J. Plunkett of the Coast Guard.

### [Tehran unveils oil fund revamp](#)

Iran's government wants to set up a new National Development Fund (NDF), to which at least a fifth of the country's oil and gas revenue would be transferred, according to reports.

### [China Says Worst Sea Ice in 40 Years Starts to Recede](#)

(Bloomberg) -- China's worst sea ice in 40 years showed signs of receding after subzero temperatures and strong gales froze parts of Bohai Sea, where Cnooc Ltd. drills for oil and natural gas, for more than three weeks.

The ice floes have decreased in size, with 32 percent of the sea frozen as of today, the State Oceanic Administration said. That compares with 39 percent yesterday.

### [Halliburton Net Income Declines After Customers Reduce Spending](#)

(Bloomberg) -- Halliburton Co., the world's second-largest oilfield-services provider, said fourth-quarter profit fell 48 percent after clients cut spending because of lower demand.

Net income dropped to \$243 million, or 27 cents a share, from \$468 million, or 52 cents, a year earlier, Houston-based Halliburton said today in a Business Wire statement.

Global exploration and production expenditures declined about 15 percent last year to \$395 billion, Barclays Capital said in a Dec. 16 report. Barclays said spending this year may climb 11 percent. The number of active oil and natural-gas rigs in North America fell 40 percent from a year earlier to a fourth-quarter average of 1,385, up from 1,156 in the third quarter, according to Baker Hughes Inc.

## [Shell to Scale Back on Oil Sands - Report](#)

LONDON (Reuters) - Royal Dutch Shell is slowing its expansion into high-cost Canadian tar sands and will in future focus on exploration, rather than expensive, capital-intensive projects, Chief Executive Peter Voser said in Monday's edition of the Financial Times.

Analysts said the decision to slow oil sands investment was no surprise given Shell's relative inaction in the field in the past year or so but questioned whether Shell could halt a 7-year slide in output with the drill bit alone.

## [Pacific LNG Examines Floating LNG for Papua New Guinea Project](#)

(Bloomberg) -- Pacific LNG Operations Ltd., developer of a liquefied natural gas venture in Papua New Guinea, may use a floating terminal to exploit reserves faster than a conventional plant, to help it attract equity partners.

Pacific LNG and InterOil Corp. are exploring floaters to chill the fuel before an onshore production unit starts operation by 2015, said Henry Aldorf, Pacific LNG's newly appointed president. The partners are offering about 30 percent in gas areas in Papua New Guinea, in the proposed LNG plant and a share of the cleaner-burning fuel, he said.

## [ExxonMobil denies links to PNG deaths](#)

A clash that reportedly killed 11 Papua New Guinea villagers had no link to ExxonMobil's \$16 billion liquefied natural gas (LNG) project, the oil and gas giant says.

PNG police were unable to confirm newspaper reports that 11 villagers were fatally shot near ExxonMobil's LNG site in the Southern Highlands Province (SHP) at the weekend.

## [Mitsubishi Heavy Expects First Europe Reactor Sale](#)

(Bloomberg) -- Mitsubishi Heavy Industries Ltd., which has developed the world's biggest atomic reactor, expects to win its first nuclear power plant order in Europe next year, challenging Areva SA in its own backyard.

## [Weatherization stimulus off to cold start](#)

NEW YORK (CNNMoney.com) -- It was supposed to be fast and easy: Pay a bunch of out-of-work contractors to outfit old homes with new furnaces or insulation. It would put people back to work right away, and at the same time cut energy use and save



people money.

### [How stimulus saved renewable energy](#)

NEW YORK (CNNMoney.com) -- On a mountain top 80 miles northeast of Bangor, Maine, in country where houses and gravel pits are mere pinpricks on a map green with forest, Paul Gaynor is making stimulus work.

Gaynor, chief executive of First Wind, is using \$40 million in federal funds to help build a wind farm that will produce enough power for 13,000 homes and has created 200 construction jobs.

Without stimulus, First Wind's project -- and most renewable energy projects across the country -- may not have happened.

### [Airport Check-in: Dallas/Forth Worth and green taxis](#)

Dallas/Fort Worth International, one of the world's largest airports, wants more taxis converted to greener vehicles, providing a big push for a nascent movement to phase out gasoline-powered cars at airports.

Following a practice that began at San Francisco International in 2005, Dallas/Fort Worth restarted a program last week that lets compressed natural gas (CNG)-powered taxis go to the front of the line for customers, thus giving them more business. Boston Logan and San Jose Mineta run similar programs.

### [Darebin group shifts houses by bicycle](#)

MOVING house by bicycle might take a little longer than using a man with a van but it's a lot more fun, says Preston resident Jos Tait.

Ms Tait is a member of the Transition Darebin group, formed late last year as part of the global Transition Towns movement, which prepares the community for peak oil and climate change through practical, low energy alternatives.

The group is offering a Darebin Bike Move service for those game enough to try.

### [Institute plans to make ammonia for fuel](#)

A Rockland-based nonprofit involved in Maine's efforts to develop deepwater wind turbines also sees "green energy" potential in a compound that many people likely associate with cleaning products.

The Ocean Energy Institute is developing plans for a pilot project in Maine that would take hydrogen from seawater and nitrogen from the air to form ammonia, which then can be used as a type of fuel similar to propane.

### [Study offers models for dams to adapt to climate](#)

GRANTS PASS — As the climate gets warmer, the old rules for when to let water out of Columbia Basin dams and when to hold it back won't work.

So researchers from the University of Washington's Climate Impacts Group and the U.S. Army Corps of Engineers have developed computer models that simulate new operations schedules for flood control dams in the Northwest based on a climate change scenario.

### [China, India, Brazil Commit to Meet Copenhagen Accord Deadline](#)

(Bloomberg) -- China, Brazil, South Africa and India will disclose the voluntary steps the countries will take to help reduce global warming by the Jan. 31 deadline set during negotiations in Copenhagen, India's environment minister said after talks between the four nations in New Delhi yesterday.

### [New Anti-Smog Restrictions Could Warm Planet](#)

The Environmental Protection Agency's proposal to tighten the ozone standard for smog will have an unfortunate side effect: Because of a quirk of atmospheric chemistry, those measures will hasten global warming.

### [Desertification may have retarded global warming by as much as 20%](#)

In an article published on Friday in the journal *Science*, Prof. Dan Yakir and Dr. Eyal Rotenberg of the Environmental Sciences and Energy Research Department discuss their analysis of findings from the Yatir Forest research station.

By looking at the other side of the equation, the two researchers discovered that desertification was not necessarily all bad - in fact, it may have retarded global warming by as much as 20%. The desert reflects sunlight and releases infrared radiation, which has a cooling effect. And in a world in which desertification is continuing at a rate of about six million hectares a year, that news might have a significant effect on how we estimate the rates and magnitude of climate change.

### [Scientists create model of monster 'Frankenstorm'](#)

(AP) -- Think the recent wild weather that hammered California was bad? Experts are imagining far worse.

As torrential rains pelted wildfire-stripped hillsides and flooded highways, a team of scientists hunkered down at the California Institute of Technology to work on a "Frankenstorm" scenario - a mother lode wintry blast that could potentially sock the Golden State.

The hypothetical but plausible storm would be similar to the 1861-1862 extreme floods that temporarily moved the state capital from Sacramento to San Francisco and forced the then-governor to attend his inauguration by rowboat.

The scenario "is much larger than anything in living memory," said project manager Dale Cox with the U.S. Geological Survey.



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