



## Drumbeat: September 30, 2010

Posted by [Gail the Actuary](#) on September 30, 2010 - 9:19am

Topic: [Miscellaneous](#)

### [Today's Trends: Shale Gas Production Reduced Gas Imports in 2009](#)

Net U.S. imports of natural gas reached the lowest level seen since 1994, or 12 percent of total consumption, as the surge in shale gas activity continues to push gas production in the U.S. Lower 48 states, the U.S. Energy Information Administration (EIA) reported this week.

Dry natural gas production increased 3.3 percent compared with 2008 and was nearly 9 percent higher than in 2007. Recent gains in domestic production have made the United States is the largest producer of natural gas in the world. At the same time, U.S. domestic consumption decreased in 2009, which in turn contributed to a reduced demand for imports.

Although liquefied natural gas (LNG) gross imports increased almost 30 percent (from a 5-year low established in 2008), LNG remains a very small source of supplies for the United States, accounting for less than 2 percent of consumption.

### [Natural Gas Premium Drops to Record Low on Glut: Energy Markets](#)

U.S. natural gas production at a 37-year high and forecasts for mild weather next year are crushing the premium on March futures compared with the April contract.

The gap, or spread, between those futures on the New York Mercantile Exchange narrowed 93 percent this year to a record low of 3.6 cents per million British thermal units on Sept. 28. Gas has dropped 29 percent this year with production predicted to rise 2.1 percent to 61.21 billion cubic feet a day, the most since 1973, according to the Energy Department in Washington.

### [Analysis: Middle East Gas Consumption Outpaces Production](#)

Rapid economic growth in the Middle East has resulted in the consumption of natural gas outpacing production, according to the Ernst & Young report, The Global Gas Challenge. As a result, tension exists between the requirement to supply domestic

markets to fuel economic growth and the desire to achieve higher revenues via export sales agreements.

Forty-one percent of the world's remaining proved (conventional) gas reserves are in the Middle East, with 73 percent concentrated in Iran and Qatar. However, Iran is a net gas importer due to international sanctions, which have hampered Iran's oil and gas reserve development. . .

Imported gas will be needed to meet short-term demand, which means that substantial investment in LNG regasification capacity is required in a number of countries. LNG import terminals can be built with relatively short lead times and they are unlikely to encounter the political difficulties that have historically beset proposed cross-border pipeline deals.

### [Questions about what's next as offshore drilling ban expires](#)

Interior Secretary Ken Salazar is getting ready to take his finger off what he has called the "pause" button on deepwater oil drilling, with environmentalists and oil industry executives alike worried about what comes next.

Thursday, Salazar will receive recommendations from Michael Bromwich, head of the Bureau of Ocean Energy Management, Regulation and Enforcement, based on information gathered at public forums and private meetings in the wake of the BP oil spill. Salazar could act on the BOEMRE report well before the drilling ban's expiration date, Nov. 30.

### [Freak accident or frontier enterprise? Deep-water drilling is still a big unknown.](#)

BP's internal report on the causes of the Deepwater Horizon blowout, released earlier this month, summarized the calamity as the result of eight separate breaches of physical and operational barriers, any one of which could have, and should have, stopped the unfolding disaster. The blowout, in the BP scenario, was very much a freak event. A long shot.

A graphic in the report showed the barriers arrayed like eight slices of Swiss cheese. All the holes, the report states, "lined up" to enable the blowout:

### [Will the oil spill make a drop of difference regarding our attitudes?](#)

"For the companies, the regulators and the gulf residents, the spill has had a profound impact on their operations and ways of life. For the broader national population and the political debate, it has had a surprisingly small impact," said Jason Grumet, executive director of the National Commission on Energy Policy, a part of the nonprofit Bipartisan Policy Center. "It is the modesty of the impact on the national energy debate that is in many ways most surprising."

For a time, it seemed that the spill might galvanize lawmakers and consumers. But consumers respond to gasoline prices, which have been unusually stable for the past few months. In the Senate, ironically, a climate compromise unraveled, in part because expanded offshore drilling could no longer be used to woo undecided members. The Senate probably won't even pass a narrow oil spill measure, which has been bogged down in disputes over such issues as liability limits for offshore drilling.

### [China says U.S. yuan bill could harm ties](#)

China on Thursday warned that a House of Representatives bill to penalize it for not letting the yuan rise faster could seriously affect bilateral ties.

In a relatively measured response, Foreign Ministry spokeswoman Jiang Yu said Congress should avoid steps that could harm relations, saying Beijing was "resolutely opposed" to the bill. But she declined to say whether China would retaliate.

The House of Representatives bill, which many analysts say is unlikely to become law, is aimed at pressuring Beijing to let its currency, also called the renminbi, rise faster by branding it in violation of world trade rules.

### [Oil Heads for Biggest Monthly Gain Since February on Supplies](#)

Crude oil rose, headed for the biggest monthly gain since February as shrinking inventories in the U.S. stoked speculation that demand may be recovering in the world's largest consumer of the fuel.

### [Deep-Water Drill Ban Was Necessary Public Policy, U.S. Says](#)

A deep-water drilling ban was necessary after the Gulf of Mexico oil spill because the industry had no good response to the disaster, U.S. regulators defending the moratorium told a federal judge.

### [OPEC Crude Oil Production Fell to Eight-Month Low, Survey Shows](#)

The Organization of Petroleum Exporting Countries' crude-oil output fell to an eight-month low in September, led by Iraq, where a pipeline disruption curtailed shipments, a Bloomberg News survey showed.

Production slipped 145,000 barrels, or 0.5 percent, to an average 29.055 million barrels a day, the lowest level since January, according to the survey. Output by members with quotas, all except Iraq, dropped 95,000 barrels to 26.76 million, 1.92 million above their target.

### [Buy Energy-Stock Options Before ISM Report, Goldman Sachs Says](#)

Investors should buy options on U.S. energy stocks before the Institute for Supply Management's manufacturing report tomorrow because the shares may have larger-than-average swings, Goldman Sachs Group Inc. said.

### [Pemex to Cut New Wells Drilled at Chicontepec by 46% in 2011](#)

Petroleos Mexicanos, Latin America's largest oil producer, plans to cut drilling of new wells at Chicontepec by 46 percent to 238 wells next year.

### [Russia, China Study Long-Term Gas Deal](#)

China might offer Russia's state-controlled natural-gas giant a large loan as part of a new long-term gas deal between the two countries, an executive from OAO Gazprom said Wednesday.

Some analysts have said China is in less of a hurry to secure Russian supplies than it was four years ago, as it is increasing supplies from alternative sources, such as liquefied natural gas. But Russia is willing to compromise as it is eager to diversify gas supplies to Asia, China in particular, because demand for its gas has fallen in Europe—Gazprom's most profitable export market—amid an economic slowdown.

### [French Fos-Lavera Port Strike Ongoing, 37 Ships Delayed](#)

The Fos-Lavera oil terminal near Marseilles in southern France was still blocked Thursday by a rolling wildcat strike that began Monday, preventing 37 tankers from offloading their cargo as workers protest French harbor reform, a port spokeswoman said.

In total, 15 refined oil tankers, nine crude oil tankers, eight gas tankers, four chemical products tankers and one barge were waiting off the terminal to unload their cargo, the spokeswoman said.

### [OIL FUTURES: Crude Falls In Asia After China Tightens Policy](#)

Crude oil futures fell in Asian trading Thursday, as new measures adopted by China to bring down high property prices damped enthusiasm for a government report showing U.S. oil and fuel inventories in decline.

On the New York Mercantile Exchange, light, sweet crude futures for delivery in November traded at \$77.65 a barrel at 0606 GMT, down \$0.21 in the Globex electronic session.

### [Pennsylvania House Passes New Natural-Gas Production Tax](#)

The Pennsylvania House of Representatives Wednesday passed a bill to tax natural gas extraction in the state for the first time, setting up a showdown in the Republican-controlled Senate.

### [Shell: Mars Platform Shows Bright Future For Gulf Despite Spill](#)

The second facility, a tension-leg platform named Mars B Olympus, is expected to start production in 2015. It's designed to double Shell's prolific Mars field production capacity, which was first brought online in 1996 and is currently producing about 100,000 barrels of oil equivalent per day. As one of the first fields to produce oil from deep water in the Gulf and a benchmark for sour crudes, Mars has a symbolic meaning for the region.

### [Exxon Mobil starts oil production at Russian field](#)

Exxon Mobil Corp. said Wednesday that oil production has begun in a field that is part of a project off the shore of northeastern Russia.

The Odoptu field is expected to add up to 11 million barrels to oil production in the Sakhalin-1 project next year. Exxon Mobil said the new field began production on schedule and was brought on line within cost projections.

### [Petrobras Says Brazil Boosted Stake to 49% After Sale](#)

Petroleo Brasileiro SA said Brazil's government increased its total stake in the state-controlled oil company to 49 percent from 39.8 percent after completing the world's largest share sale last week.

### [Drilling Plans Off Cuba Stir Fears of Impact on Gulf](#)

The nascent oil industry in Cuba is far less prepared to handle a major spill than even the American industry was at the time of the BP spill. Cuba has neither the submarine robots needed to fix deepwater rig equipment nor the platforms available to begin

drilling relief wells on short notice.

The prospect of an accident is emboldening American drilling companies, backed by some critics of the embargo, to seek permission from the United States government to participate in Cuba's nascent industry, even if only to protect against an accident.

### [United States Oil Consumption and Reserves: A matter of exponential growth and finite resources](#)

It is a well known fact that the United States has been importing Oil since the 1970's because the home oil production cannot meet the rising demand. According to 2009 yearly average, the U.S. Crude Oil consumption is around 21 million barrels a day and home production is only around 5 million. Why are things escalating so fast? Why are resources running out at such speed? We will try to answer these questions on this article. There is no simple answer but it is all pretty much related to one single concept: exponential growth.

### [Appraisal well off Angola tests 7,000 b/d](#)

Partners in Block 15/06 off Angola reported an oil discovery in an appraisal well designated Cabaca Southeast-2. Drilled in 470 m of water about 100 km from the coast, the well flowed during production tests at equipment-limited rates as high as 7,000 b/d of 34° gravity oil, said Statoil, which has a 5% interest in the block.

### [Study: World's 'Peak Coal' Moment Has Arrived](#)

Bottom line, say the paper's co-authors, Tadeusz Patzek, a University of Texas engineering professor, and Greg Croft, a St. Mary's College of California earth science professor, is that the 7 billion tons of coal the world is now mining and burning each year is about the best it can do.

"Our ability to produce this resource at 8 billion tons per year, in my mind, is a dream," Patzek said.

### [Chinese Imports of Saudi Oil to Reach 50 Million Tons](#)

China's imports of oil from Saudi Arabia, the world's largest crude exporter, will increase 19 percent in 2010 from last year, the official Saudi Press Agency reported.

### [The Evolution of Energy Security in the Slovak Republic](#)



The Slovak Republic is an excellent example of what can happen to a country when it doesn't pay attention to its own energy security.

### [Sino-Russian Energy Relations in Perspective](#)

The fundamental reality driving China's energy strategy globally, and in its energy relationship with Russia in particular, is its inability to provide sufficient quantities of energy to satisfy its own domestic needs. Over the past two decades China has evolved from a net oil exporter to a net oil importer. This development underscores the important trajectory of Chinese energy expansionism from Latin America, to Africa, to the Middle East. Russia and the former Soviet states of Central Asia play an increasingly important role in China's own energy security, and quid pro quo in those countries' own long-term economic security. Recent developments point to the veracity of this observation. China has long lobbied Russia for easier access to its resource commodities; Russia has long pursued strengthening the Asian dimension of its foreign policy to offset American power and to magnify its political, foreign policy and economic influence vis-à-vis the Europeans by giving the impression of looking east.

### [Excerpt 1: The Soot Road](#)

China burns 42 per cent of the world's coal and is adding the equivalent of nearly the entire U.K. power grid each year in new coal-fired plants. Northern China's smokestacks spew a noxious cloud so gargantuan that satellites have tracked it floating over the Pacific. Mountaintop sensors in Washington, Oregon and California have detected sulphur compounds, carbon and other toxic byproducts from China's smokestacks. The country's coal plants have become the main cause of the rapid increase in greenhouse gas emissions that cause global warming. Coal will remain king in the foreseeable future too: it represents 60 per cent of the world's remaining recoverable hydrocarbon reserves.

### [Newcastle Coal Exports Rise as Ship Queue Lengthens](#)

Coal shipments from Australia's Newcastle, the world's biggest export harbor for the power-station fuel, increased 14 percent last week while the queue of vessels waiting to load lengthened.

### [European Natural-Gas Trading Increased 11 Percent Last Year, Prospex Says](#)

"The double impact of a financial market crisis followed by economic recession hit the U.K. market harder than the smaller and younger mainland markets," authors including

Nigel Harris of Kingston Energy Consulting Ltd. said in the report. "By mid-2009 the U.K.'s trading activity had picked up again and continued to grow in 2010," they said.

### [Unemployment Surges in Nevada Cities](#)

The report Wednesday said the jobless rate rose to 14.7 percent in Las Vegas, the city with the nation's highest foreclosure rate. That's up from 13 percent in August 2009. Las Vegas and Miami saw the largest unemployment rate increase among the metro areas.



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