



## Drumbeat: October 5, 2010

Posted by [Gail the Actuary](#) on October 5, 2010 - 9:13am

Topic: [Miscellaneous](#)

### [Analysis: O&G Reserves Rise Despite Decline in Investment](#)

Total hydrocarbon reserves worldwide increased for the first time since 2005 despite a decline in worldwide upstream investment and development spending.

Worldwide upstream investment declined by 23 percent to \$378 billion in 2009 among 224 oil and gas companies surveyed, but total worldwide total hydrocarbon reserves grew three percent, according to IHS Herold's report 2010 Global Upstream Performance Review. Production also increased one percent, driven by a 2.2 percent increase in natural gas output. Development spending declined by nearly 20 percent, the first decline in a decade.

"We were very surprised at the strength of reserve additions given the weak economic conditions and tightness in credit markets during 2009," said Nicholas D. Cacchione, director of IHS Herold and author of the report.

---

ost," Nell said.

### [Solar Panels To Be Installed on The White House](#)

The White House announced today it plans to install solar panels and a solar hot water heater on the roof of the White House residence in Spring of 2011. The announcement was made by Secretary of Energy Steven Chu at the GreenGov conference this morning at The George Washington University.

### [Special powder fuels electric bike](#)

The range extending system that SiGNa developed uses a sandy metal powder called sodium silicide, which creates hydrogen gas as soon as water hits it. According to the company, sodium silicide is "a safe, air-stable reactive metal powder" that produces hydrogen at about half the pressure of a soda can. I'm not exactly clear on precisely how it's made, but it looks like the powder can be formed by absorbing sodium in porous silicon dioxide, or reacting sodium directly with elemental silicon.

After the powder in the cartridge creates hydrogen gas, the byproducts are sodium silicate, which is actually pretty useful stuff, and water vapor. Once all the powder is spent, the cartridge containing it can be reused. With SiGNa's fuel cell system, electric bikes should be able to go up to 60 miles without any pedaling, as opposed to the 20-mile limit for most existing e-bikes. A spent cartridge can be swapped out for a new one with no need for recharging.

### [Tighter Regulations Help Drive Stock Offerings Into Emerging Markets](#)

With financial regulations growing tighter in Washington, London and Basel, as the Journal detailed today, Wall Street increasingly is turning its gaze to emerging markets.

So far this year, 47% of stock underwriting activity has taken place in emerging markets, up from 22% in 2005 and 9% in 1995, according to research firm Dealogic. Two of 2010's most notable offerings were from emerging markets: a \$70 billion follow-on offering from Brazilian oil producer Petroleo Brasileiro SA, or Petrobras, and a \$22 billion IPO from Agricultural Bank of China Ltd.

"The real growth is coming out of emerging markets, and bank profitability is often correlated to economic activity," says Christopher Harland, Morgan Stanley's regional head of Latin America.

### [US Coast Guard: Houston Ship Channel Closed At Least Until Late Tuesday](#)

The U.S. Coast Guard Monday said that a 3.5 mile stretch of the Houston Ship Channel will likely be closed until late Tuesday, when low hanging power lines and a listing tower can be cleared away, affecting crude deliveries for four refineries in the Houston ship channel.

The tower, which carries one of three transmission lines into Exxon Mobil 's (XOM) Baytown refinery, was struck by a barge early Sunday.

### [Liberty Energy Corp. Old Field, New Technology, New Potential](#)

Oil executives often state, "Tell me when technology can no longer be invented or improved, and I will tell you when the world has reached peak oil."

The life cycle of a producing oil field typically includes several stages. Initially, oil flows naturally to the surface with existing reservoir pressure. As natural pressure drops, the reservoir is flooded with water to push out more oil. In the final stage, any remaining oil is recovered by CO2 injection, natural gas miscible injection, far-out perforating or steam recovery.

It is widely believed that as long as new technologies can be invented, there are going to be new ways to get increasing amounts of oil and natural gas out of the ground. The best

example of this is in the U.S. natural gas industry which was all but dead and buried up until a few years ago, when suddenly U.S. independents came up with new ways to get natural gas out of ground. The U.S. natural gas industry took off, and estimates have grown from 30 years' worth of supplies in the country to more than 100 years' worth.

### [Norway 2010 Oil Output To Fall 5% To 2.2 Million B/D - Ministry](#)

"While oil production declines, gas production is still increasing," the ministry said. Norway is forecast to produce 105 billion standard cubic meters of gas in 2010.

The country also raised its budget assumption for oil prices in 2010 and 2011 to NOK485 a barrel, or around \$83 a barrel, driven largely by economic growth in non-OECD countries.

### [Analysis: O&G Reserves Rise Despite Decline in Investment](#)

Total hydrocarbon reserves worldwide increased for the first time since 2005 despite a decline in worldwide upstream investment and development spending.

Worldwide upstream investment declined by 23 percent to \$378 billion in 2009 among 224 oil and gas companies surveyed, but total worldwide total hydrocarbon reserves grew three percent, according to IHS Herold's report 2010 Global Upstream Performance Review. Production also increased one percent, driven by a 2.2 percent increase in natural gas output. Development spending declined by nearly 20 percent, the first decline in a decade.

"We were very surprised at the strength of reserve additions given the weak economic conditions and tightness in credit markets during 2009," said Nicholas D. Cacchione, director of IHS Herold and author of the report.

### [IHS Herold: Oil, gas reserves rise in 2009](#)

Worldwide oil and gas reserves climbed 3% in 2009 as capital spending declined, IHS Herold reported Oct. 4 in its 2010 Global Upstream Performance Review. The analyst found that the worldwide upstream investments of 224 oil and gas companies decreased 23% last year to \$378 billion.

During 2009, both oil and gas reserves grew for the first time since 2005, and production increased 1%, driven by a 2.2% increase in natural gas output.

Oil reserves, up 3% to 164 billion bbl, reversed a 2-year decline driven mainly by positive reserve additions but also by extensions and discoveries in Canadian oil sands and South and Central America.

Natural gas reserves climbed 3.7% despite a record 11.4 tcf in negative reserve

additions as the development of unconventional plays in North America and LNG resources in Asia accelerated, IHS Herold said.

The report found that E&P companies slashed capital spending by 40% last year, while the integrated oil companies reduced their investments by 9%. Exploration outlays fell 12% to \$62.7 billion, but unproved acquisition costs dropped 71%.

### [Chris Martenson: Racing Against Time: Peak Oil = Peak Economy](#)

Peak Oil will result in 'peak economy.' Once it arrives, nothing will work quite the same way again.

Let me explain. . .

The short version of the story is this: Our economy utterly depends on oil to function. And for the first time ever, oil production is declining. We are now racing against time.

Money & Growth

To explain why this is so important, we should begin with an understanding of how our monetary system operates.

### [Crude Oil Rises on Port Closures, Speculation of Growth in U.S.](#)

Oil rose to trade near an eight-week high after the U.S. Federal Reserve Chairman said the central bank's asset sales have boosted the economy, while disruptions at France's biggest oil port continued.

Futures reversed earlier losses as a strike at Marseille's Fos and Lavera oil terminals threatened to spread to local refineries and the dollar slumped against the euro. U.S. gasoline and distillate fuel stockpiles probably declined last week as refiners cut runs, according to a Bloomberg News survey.

"There is a view that further quantitative easing in the U.S. could help boost the economy," said Hannes Loacker, an analyst at Raiffeisen Zentralbank Oesterreich in Vienna. "Investment into oil could well be expanded."

### [Oil Supply Rises in Survey as Refining Declines: Energy Markets](#)

U.S. oil supplies probably rose last week as refineries undergoing seasonal maintenance cut their processing rates to the lowest level since April, reducing demand for crude, a Bloomberg News survey showed.

Stockpiles gained 1 million barrels, or 0.3 percent, from 357.9 million, according to the median of 11 analyst estimates before an Energy Department report tomorrow. It would

put inventories at their highest level since Sept. 3. Gasoline stocks were little changed in the survey and distillates fell.

### [CGT Aims to Extend Marseille Strike to Refineries, Figaro Says](#)

The CGT union is seeking to extend a strike that has blocked oil terminals at the port of Marseille for a week to oil refineries, French daily Le Figaro reported, citing regional CGT official Jean-Marie Michelucci.

### [OIL FUTURES: Crude Little Changed; Mood Remains Optimistic](#)

Crude futures traded sideways in Asia Tuesday, lacking a clear direction for a second day, as the market shifts focus back to supply and demand as well as the U.S. macroeconomy.

On the New York Mercantile Exchange, light, sweet crude futures for delivery in November traded at \$81.67 a barrel at 0643 GMT, up 20 cents in the Globex electronic session. November Brent crude on London's ICE Futures exchange rose 18 cents to \$83.46 a barrel.

### [Brazil's Petrobras Output Rises 2.7% In August From Year Ago](#)

-Brazilian oil giant Petroleo Brasileiro SA (PBR, PETR4.BR), or Petrobras, produced 2.59 million barrels a day of oil equivalent, including gas, in August, up 2.7% from a year earlier, the company said Monday.

Output was 0.7% higher than in July, the company said.

Output in Brazil accounted for 2.35 million barrels per day of the total, 2.4% higher than a year ago.

### [Mexico's Pemex Sept Crude Output 2.583 Mln B/D Vs Aug 2.559 Mln](#)

Mexican state-owned oil company Petroleos Mexicanos, or Pemex, said Monday that crude output in September rose to 2.583 million barrels a day on average, versus August production of 2.559 million barrels a day.

The September figures, which are preliminary and subject to revision, showed the Ku-Maloob-Zaap offshore oil complex at a near-peak level of 853,000 barrels a day, compared with August output of 833,000 barrels a day.

Pemex's mature Cantarell fields, also in the southern Gulf of Mexico, continued their

decline in September to 489,000 barrels a day, from 495,000 barrels a day in August.

### [Ecopetrol CEO: Sees Total Oil Production At 750,000 Bbl/D In 2011](#)

Ecopetrol SA, Colombia's state-owned oil company, plans to increase oil production to up to 750,000 barrels a day in 2011, Chief Executive Javier Gutierrez Pemberthy said Monday.

The company, which produced 580,000 barrels a day in the second quarter, expects to increase production from several of its existing fields, while also nearly doubling production from the assets in Colombia it recently purchased from BP Plc.

### [Oil rises to near \\$82 amid mixed stock markets](#)

Analysts said oil's gains could be attributed to bountiful cash available to financial speculators who were putting their money in commodities.

"Oil prices are mainly finding support from investors, as is evident from the rise in speculative net long positions in crude oil," said a report from Commerzbank in Frankfurt.

Oil has plodded along in the \$70s for most of the last year, but broke above \$80 last week, bolstered in part by a rally in global stock markets.

### [Origin, ConocoPhillips Mull Smaller LNG Build As Demand Wanes - Citi](#)

Origin Energy Ltd. and joint venture partner ConocoPhillips are considering halving the size of the foundation stage of their liquefied natural gas project in Queensland state due to a regional oversupply of the fuel, Citigroup analysts said Tuesday.

Origin declined to comment on the Citigroup report, which also said that the joint venture could be left targeting Chinese and Indian LNG buyers after Japanese buyers it was initially courting ended up signing deals with rival Australian LNG projects.

### [Plan to Expand Rail Service Imperiled at State Level](#)

Republicans running for governor in a handful of states could block, or significantly delay, one of President Obama's signature initiatives: his plan to expand the passenger rail system and to develop the nation's first bullet-train service. . .

Mr. Walker, who worries that the state could be required to spend \$7 million to \$10 million a year to operate the trains once the line is built, started a Web site,



NoTrain.com, and has run a television advertisement in which he calls the rail project a boondoggle. “I’m Scott Walker,” he says in the advertisement, “and if I’m elected as your next governor, we’ll stop this train.”

### [U.S. Military Orders Less Dependence on Fossil Fuels](#)

With insurgents increasingly attacking the American fuel supply convoys that lumber across the Khyber Pass into Afghanistan, the military is pushing aggressively to develop, test and deploy renewable energy to decrease its need to transport fossil fuels.

Last week, a Marine company from California arrived in the rugged outback of Helmand Province bearing novel equipment: portable solar panels that fold up into boxes; energy-conserving lights; solar tent shields that provide shade and electricity; solar chargers for computers and communications equipment.

Fossil fuel accounts for 30 to 80 percent of the load in convoys into Afghanistan, bringing costs as well as risk. While the military buys gas for just over \$1 a gallon, getting that gallon to some forward operating bases costs \$400.

### [Alaska offshore plans should reflect conditions there, panel told](#)

Concerns raised following the Apr. 20 Macondo well accident and subsequent oil spill in the Gulf of Mexico may not fully apply to activity off Alaska, witnesses told US President Barack Obama’s independent oil spill commission. They agreed that conditions are different that far north, but disagreed on whether to go ahead or wait.

“It was because of the lack of sufficient science in the Arctic and the reality of oil-spill response capabilities caused us to defer sales there,” US Interior Sec. Ken Salazar said on Sept. 27, adding that he has tried to take a slow and thoughtful overall approach there.

“The reality of the Arctic is that you don’t have the kind of US Coast Guard response we had in the Gulf of Mexico,” he told the committee. “You’re also operating in frigid conditions with floating ice in very narrow windows. On the other hand, you are dealing with depths that are much less than what we were dealing with in the Gulf of Mexico, with depths of 100-150 ft.”

### [Iraq says jump in oil reserves is only the start](#)

Rising production promises to fuel investment outside of the oil sector, too. In Iraq’s reconstruction plans, foreign investors are needed for their expertise, training and – most of all – capital; however, many have stayed away because of the security and political risk. Iraq appears to be easing the concern by officially announcing a larger reward.

“These new estimates (of reserves) will feed into calculations by international lenders, particularly government export credit institutions,” said Phillips, the IHS economist. “They will look at their Iraq portfolios, and increase the size of their Iraqi investments. For the Iraqis, it will help remove some financial obstacles, and bodes well for getting these reconstruction blueprints into reality.”

### [Uganda: Fuel Shortage Causes Load Shedding](#)

SEVERAL parts of the country will suffer a 14-hour power black-out this month following persistent fuel shortages.

The power outages will hit most of the country for at least five days on different dates, according to Umeme.

### [Our Crumbling Transportation Systems Will Affect Prosperity, Report Says](#)

U.S. investment, the study states, in terms of transportation infrastructure, is so far behind that of China, Russia and Europe, that it will erode our social and economic foundations in the long run.

To address some of these problems, the group estimated that we would need an additional \$134 billion to \$262 billion per year through 2035 to rebuild our roads, rail systems and air transportation.

### [World financial reform agenda falters](#)

Leaders of the world's top economies pledged in the wake of the Lehman Brothers collapse to work together to make the global financial system less prone to booms and busts. Leaders did reach agreements on an array of subjects, such as increasing the amount of cash and highly liquid assets banks must set aside as a cushion against losses. These are changes that many analysts agree will make banks better able to survive a downturn in the future.

### [Chilean miners' rescue 'very close'](#)

He said his team expected to break through to the area where the miners are sheltering in 3-4 days.

And he said rescuers were debating whether they would in fact need to line the rescue tunnel with metal casing as planned, a process that would take several days.



[Bearish gas prices won't kill coal demand: Raymond James study](#)

Although bearish natural gas prices will lead to lower US demand for coal, the effect of that trend will be blunted by declines in US coal supplies, an increase in coal exports and other factors, analysts with Raymond James said in a report Monday.

[China National Offshore, Altona Agree to Australian Coal-to-Liquids Study](#)

China National Offshore Oil Corp., that country's largest offshore oil explorer, and Altona Energy Plc approved a A\$40 million (\$39 million) program to evaluate a coal-to-liquids project in South Australia.

[Can natural gas keep China from destroying the world?](#)

One of the strongest current global trends, as we've been discussing, is the world's growing glut of natural gas. We are swimming in it, and yet more keeps coming. This has both financial and political implications. On the financial side, nations relying on gas income -- Australia and Qatar among them -- have years to wait until prices recover from their current fire-sale lows. On the political side, the ocean of gas is likely to push its way on a much larger scale into China, which will be a much cleaner industrial power than feared.

[AgSense: Cows have smaller 'footprint' than believed](#)

So anybody who, based on this "quack shack" science, decided to reduce their daily intake of milk or meat in order to save the planet can breathe again. I mean literally! No need for milk-less Mondays! As a matter of fact another study just released in Food & Nutrition Research compares the nutrient density of milk to several other beverages and their impacts on the environment (footprint), and concluded that milk is twice as good as any other beverage (including juices, beer, wine or soda's) in providing nutrients while protecting the environment. I guess mom was right after all; it makes sense!

[Russia put to the test by grain shortage](#)

The crisis has, however, exposed myriad challenges facing the sector. The export ban not only drew international criticism, it failed to halt a surge in food prices as Russians, haunted by memories of Soviet-era shortages, hoarded supplies.

The global food crisis of 2007-08 prompted the Kremlin to draw up a food security doctrine setting a goal for Russia to produce at least 80 per cent of the cereals, meat and

milk it needs by 2020. Since the drought, Mr Putin has raised the bar, calling for Russia to become a net food exporter, relying on foreign markets only for exotic products such as “tropical fruit”.

### [Police training halts as agencies face budget cuts](#)

Nearly 70% of police agencies cut back or eliminated training programs this year as part of local government budget reductions, according to a survey this fall of 608 agencies by the Police Executive Research Forum, a Washington-based think tank.

### [World Bank warns on food-price rise](#)

“For many developing countries, the food crisis of 2008 has never gone away. And recent prices are a serious cause for concern,” Zoellick said.

### [New MPG standards will lead to political debate](#)

The roar is coming from both the EPA and the Department of Transportation (DOT) and it comes in the form of some ambitious proposals for mileage standards in America. The two agencies unveiled an array of plans calling for increased fuel standards for cars and trucks that increase the current standards by anywhere from 3 to 6 percent. Whatever number is decided upon would be another step following an announcement in April that all new cars and light trucks in the United States should have an average fuel economy of 34 miles per gallon by 2016.

### [Transit Agencies to Get \\$776 Million to Upgrade Bus Service](#)

The money, which will come from unallocated funds in this year's budget for the Federal Transit Administration, will support capital projects in 45 states and Washington, D.C. The biggest awards will go to large bus authorities in urban areas, including San Francisco and Los Angeles, but rural areas including Alaska and Arkansas will also receive funds.

### [Agencies launch Bikeshare program](#)

Federal employees in the Washington area now have the option to share bicycles for their daily commute, thanks to a new Bikeshare program.

The program gives users access to 1,000 bikes at 100 stations in Washington and

Northern Virginia.



This work is licensed under a [Creative Commons Attribution-Share Alike 3.0 United States License](http://creativecommons.org/licenses/by-sa/3.0/).