



Drumbeat: January 15, 2011

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[The Will to Drill](#)

Oil reserves have been declining for a decade, and it is an article of faith among petroleum geologists that the easy oil — easier to find, less complicated to drill — has all been extracted and that the explorers are now into the hard oil. When the Deepwater Horizon rig, drilling an exploratory well deep into rock through a mile of water and three miles into the ocean floor off the Louisiana coast, struck a highly pressurized pocket of oil and gas, causing an explosion, it was in some ways a consequence of this iterative, competitive game, each generation of discoveries pushing further into the unknown.

A few years ago, the industry norm was to drill at depths of 15,000 or 20,000 feet. Now the frontier is 35,000 feet, where engineers find higher temperatures and pressures. “The scarcity of new reserves has been driving companies into plays that have previously been seen as extremely high risk and high cost,” said Brian Maxted, the chief executive officer of Kosmos Energy, a deepwater-exploration company in Dallas. “The trend recently has been in going toward ever-deeper waters and ever-more challenging environments.”

[Venezuela: no need for emergency OPEC meeting](#)

(Reuters) - Higher global oil prices do not threaten the global economic recovery or require an emergency OPEC meeting, Venezuelan Energy Minister Rafael Ramirez said on Saturday.

Ramirez told Reuters the South American producer still believed \$100 per barrel was a "fair price," while the differential between the Brent and WTI levels showed the need for a new price measurement based on a basket of currencies.

[No More Oil](#)

Please. How many times does OPEC have to play this game for guys like Williamson to catch on to the con? OPEC isn't sitting on its hands because they don't want to take our yucky devalued dollars. In the short term they can hedge against the dollar just like anyone else if they want to, and in the long term they can invest the surpluses in their sovereign wealth funds in any instrument they feel like. The reason for their apparently lackadaisical attitude is much simpler: they're already pumping at near their maximum production capacity.

[Judge Refuses to Order BOEMRE to Speed Up Deepwater Permitting](#)

U.S. District Judge Martin Feldman on Thursday refused to order the Interior Department's Bureau of Ocean Energy Management, Regulation and Enforcement (BOEMRE) to speed up processing deepwater drilling permit applications, ruling that it was unclear if BOEMRE must approve or reject drilling permit applications within a certain time frame, media reports said.

[US left wounded as Putin seals BP deal](#)

The fingerprints of Russia's Prime Minister are all over the agreement between BP and Rosneft. But what does it mean for the future of oil?

[BP's Rosneft Deal Replaces Reserves Lost in Post-Spill Sales at Half Price](#)

BP Plc's \$7.8 billion share swap with OAO Rosneft will replace almost all the reserves it sold to pay for the Gulf of Mexico spill at less than half price.

[American hostility grows over BP's deal with Russian state oil company](#)

Britain's leading oil company, BP, is facing hostility and suspicion from the US over an alliance with the Russian state oil firm Rosneft that opens up vast areas of untapped wilderness off the coast of Siberia and beneath the Arctic shelf.

[BP aims to calm shareholders' fears over Russian deal](#)

BP's chief executive, Bob Dudley, is to lead an investor roadshow to calm fears over the £10bn share swap with Russian state-owned energy giant Rosneft.

Some investors have reacted angrily to the deal, announced late on Friday, which will see Rosneft take a 5 per cent stake in BP. Additional stock will be issued, diluting the stakes of existing shareholders.

[Analysis: Energy Stocks Finish 2010 on Positive Note](#)

Despite a poor start, more than 65 percent of oil and gas stocks delivered positive returns last year, according to the IHS Herold 2010 Energy Peer Group Stock Market Performance Report. Driven by economic growth, crude prices, which hit bottom in late May 2010 at around \$65 per barrel, rose steadily and consistently through the second half of the year, and took oil company shares with them.

[Are triple-digit oil prices really a given in 2011?](#)

“Maybe it will be US\$126, or maybe it will be US\$152, but I think that we will be comfortably in triple digit oil prices by the first half of the year. And by the second half of the year, prices will be getting close to [\$147], maybe even above.”

If he is right, triple-digit oil could have the kind of grim economic and social ramifications that he has already outlined in his best-selling book *Why Your World Is About to Get A Whole Lot Smaller*.

[Tunisia hit with looting as new leader sworn in](#)

TUNIS, Tunisia (AP) — Looting, deadly prison riots and street chaos engulfed Tunisia on Saturday, a day after mass protests forced its strongman to flee. A new interim president was sworn in, promising to create a unity government that could include the long-ignored opposition.

It was the second change of power in this North African nation in less than 24 hours.

[Pemex Reopens Two Gulf of Mexico Oil Export Terminals](#)

Petroleos Mexicanos, the state-owned oil company, reopened two Gulf of Mexico oil export terminals after weather conditions improved.

[Fuel Tanker Drivers Strike Threatens Petrol Shortage](#)

BRITAIN faces the nightmare prospect of petrol shortages after a strike ballot was called yesterday by oil tanker drivers.

The Unite union said balloting is likely to start next month in the row over pay, pensions and working conditions.

[Gas scarcity impeding industrial growth](#)

Islamabad—Scarcity of gas is causing problems both for public and industries and the authorities concerned should take measures to ensure uninterrupted supply of gas for the economic growth of the country. This was stated by Mahfooz Elahi, President, Islamabad Chamber of Commerce and Industry while presiding over a the chamber here on Friday.

He was of the view that the gas as well as the electricity shortage is also causing the closure of a number of industries and small and medium enterprises. He claimed that this problem has resulted in the loss of more than 400,000 jobs and is inflicting on the

industrial sector alone an annual loss of over Rs 220 bln. The ICCI President was of the view that trouble lies ahead for domestic, industrial and commercial sectors unless the shortage of gas is addressed.

[Pakistan: People start using coal and firewood as fuel](#)

People, facing immense problems due to scarcity of gas, have started using alternative energy sources like coal and firewood for preparing food and heating their houses.

Ironically, the purchase of firewood and coal has become an additional burden on the people. For instance, besides paying gas bills despite being deprived of the facility these days, they are spending money on the purchase of firewood and coal to keep themselves warm and prepare their meals.

[EV costs in CA outweigh gas prices](#)

As much as we all want to champion the underdog, there's always a downside. Such is the case for plug-in electric and hybrid vehicles. As awesome as they sound, they will require a lot of juice. Will the amount of electricity they consume make them more costly to maintain than they're worth?

Wally Tyner, professor of agricultural economics of Purdue University, says yes—but primarily for Californians, who pay some of the highest electricity charges in the country.

[Britain is becoming less windy, raising doubts over Government's wind farm strategy](#)

In November, Scotland's first minister, Alex Salmond, spoke of wind's "massive economic rewards" in a "renewables revolution". In May, the wind industry trade body, RenewableUK, called the North Sea "the Saudi Arabia of wind".

Yet it can be revealed that as the rhetoric has climbed ever further up the Beaufort scale, the wind itself has moved in precisely the opposite direction. New figures published by *The Sunday Telegraph* show that 2010 was, by one authoritative measure, the least windy year since 1824.

[World hunger best cured by small-scale agriculture: report](#)

The key to alleviating world hunger, poverty and combating climate change may lie in fresh, small-scale approaches to agriculture, according to a report from the Worldwatch Institute.

The US-based institute's annual State of the World report, published yesterday, calls for

a move away from industrial agriculture and discusses small-scale initiatives in sub-Saharan Africa that work towards poverty and hunger relief in an environmentally sustainable way.

[How shale gas can trump oil sands](#)

Chen Weidong, an influential policy guru at government-controlled China National Offshore Oil Corp., has a blunt message for oil sands companies and investors: Get out.

The future, he says, is natural gas trapped in shale rocks.

"The oil sands are too costly and too polluting," Mr. Chen said in an interview with the Financial Post at CNOOC's shiny, modern headquarters near the centre of Beijing. "Gas has a brighter future.... Shale gas is much cheaper and cleaner.

"I'm not in favour as much as before toward Canadian oil sands because of shale gas."

[OPEC ready to act but not due to speculators: report](#)

(Reuters) - OPEC is ready to act to address supply shortages in the oil market but not to counter price moves caused by speculation, Secretary General Abdullah al-Badri told an Austrian newspaper. The group is monitoring the situation closely, and "OPEC will intervene to stabilize the market if the market is imbalanced. OPEC will not intervene because of speculators," he told Wirtschaftsblatt in excerpts of an interview posted on its website on Saturday.

[No good substitute today for hydrocarbons, nuclear energy - Kapitsa](#)

MOSCOW (Itar-Tass) -- No adequate substitute for the fossil fuels and nuclear energy exist today, an associate member of the Russian Academy of Sciences, Andrei Kapitsa, told Gazprom magazine in an interview.

[Crude Oil Caps Biggest Weekly Increase in Six as Factory Production Rises](#)

Oil edged higher in New York, capping the best week in six, as U.S. industrial production rose more than forecast in December in a sign that fuel demand will strengthen.

[Crude Oil May Decline as U.S. Refiners Replenish Stockpiles, Survey Shows](#)

Crude oil may decline next week on speculation that U.S. refineries will bolster supplies after an end-of-year clearing of storage, a Bloomberg News survey showed.

[Southern Sudan's Independence Vote Nears End as North Expects Secession](#)

Southern Sudan's weeklong referendum on independence entered its final day, as a top official of President Umar al-Bashir's ruling party said he expected the oil-rich region to secede and form Africa's newest nation.

[Venezuelan gov't to offer \\$6 billion in bonds](#)

Venezuela's government says the state oil company has been given approval to sell up to \$6 billion in bonds to raise money to be used in currency trading.

Petroleos de Venezuela SA has periodically sold bonds both to raise funds for needed projects and to make dollars available in the tightly controlled local currency market.

[Spill Report Accuses Jindal of Showboating](#)

Jockeying by Gulf Coast officials for limited oil spill-fighting resources and the construction of a massive chain of sand barriers to block oil offshore — a key priority of Gov. Bobby Jindal of Louisiana — did little to protect the coastline and often hampered the more effective actions of federal responders to the 2010 oil spill, according to the final report by the presidential panel investigating the spill.

The report, released on Tuesday, also details new allegations that Mr. Jindal deliberately withheld the location of an area of oiled marsh from the Coast Guard that he used as a backdrop for television interviews.

[Enbridge hikes spill cleanup cost 28%](#)

Enbridge Energy Partners LP boosted its estimate for the cost of cleaning up a July pipeline spill in Michigan by 28%, to US\$550-million.

[Greenpeace criticises BP over Arctic deal with Rosneft](#)

Environmental campaigners Greenpeace slammed BP on Saturday after the British energy firm signed a huge Arctic exploration deal with Russia, just nine months after the Gulf of Mexico oil spill disaster.

BP and Russian state-run firm Rosneft unveiled an agreement late Friday to swap shares and launch a joint venture to exploit the Arctic's vast untouched energy resources.

[Two decades on, Kuwait seeks better Iraq ties](#)

KUWAIT CITY — A landmark visit to Baghdad last week by Kuwait's prime minister is seen by many Kuwaitis as a good sign of improving relations, 20 years after Iraq's invasion of its tiny, oil-rich neighbour.

"The visit of Sheikh Nasser (Mohammad al-Ahmad al-Sabah) to Iraq was indeed historical," the liberal Al-Jarida newspaper said in a front-page editorial on Friday.

[Jeremy Grantham On Ignoring Eisenhower And The Two Most Dangerous Industries In America](#)

The financial resources of the carbon-based energy companies are particularly terrifying, and their effective management of propaganda goes back decades. They established and funded "independent" think tanks and even non-profit organizations that have mysteriously always come out in favor of policies favorable to maintaining or increasing the profits of their financial supporters.

The campaign was well-organized and has been terrifyingly effective. And the results speak for themselves: which other developed country has so little gas tax? Not one. And better yet, which other country now accepts the myth that good red-blooded Americans will never stand for such a tax? That is the real art. It has created an environment in which we cannot aspire to the social responsibility – and a higher gas tax is simply that – of, say, the Italians (the most agreeable people on the planet, in my opinion, but not noted for making tough political decisions). Which other developed country has had no improvement in fuel efficiency because it has reinvested the considerable technological advances in heavier SUVs, with no real need for most other than the nurturing of their macho instincts? Not one.

[The third Industrial Revolution](#)

Beyond immediate concerns about rising oil prices and climate change, the threat of peak oil is looming.

Virtually every aspect of our economy and society is dependent on fossil fuels - from the energy used to produce heat and electricity, to the products that we manufacture and consume.

Globally, most experts agree that we will reach peak oil production by 2020, or earlier. As consumption of oil continues to increase, this will create a gap between production and consumption. If current trends continue, economic chaos and global conflict will follow.

[Global warming: A problem of belief](#)

This problem is fast approaching; waiting can be dangerous. Peak oil is now here and peak coal energy probably only a decade away. Experts from all countries agree that significant action must be taken in the next 10 years by each of us. Our dependence on

fossil fuels is going to end, with or without our action. It will be painful either way but less so if we take charge of the upcoming changes and do what is needed.

[Toyota Developing Motors Without Rare Earths for Electric Autos, Hybrids](#)

Toyota Motor Corp., the world's largest seller of hybrid autos, is developing an alternative motor for future hybrid and electric cars that doesn't need rare-earth minerals at risk of supply disruptions.

[US, China energy firms to ink deals during Hu visit](#)

WASHINGTON, Jan 14 (Reuters) - American and Chinese energy companies will sign several commercial agreements next week during Chinese President Hu Jintao's state visit to Washington, a U.S. official said on Friday.

The deals will involve trade in renewable energy, an area where the United States and China are competing for market share.

[Dong Energy, Scottish & Southern Start Wind Farms Off U.K.'s Shoreline](#)

Dong Energy A/S, Denmark's largest energy company, and Scottish & Southern Energy Plc, the U.K.'s second-biggest power producer, said wind farms off the east and west coasts of England sent their first power to the U.K. grid.

[China Mints Two Wind Power Billionaires As It Overtakes The U.S. In Capacity](#)

This week's successful stock listing by Sinovel Wind Group, a Chinese maker of wind turbines, has added two billionaires to the country's growing ranks.

[France to Unveil Tenders for 2-3 Gigawatts of Offshore Wind Power Projects](#)

Speaking at a press conference in Paris, he also said that solar energy development in France needs to be "better regulated" so that costs to consumers are lowered. New rules on development may be made public by the middle of February, he said.

[EPA says Texas plants won't see delays in permits](#)

Despite a heated dispute between the U.S. Environmental Protection Agency and Texas on how to regulate pollution, coal-fired power plants and oil refineries aren't likely to face delays as the agency takes over greenhouse gas permits in the state, an EPA official said Friday.

[EPA gets citizen backing in Texas greenhouse-gas dispute](#)

Scores of Texans on Friday backed the Environmental Protection Agency and blasted Texas officials at a hearing in Dallas on the federal takeover of greenhouse-gas permitting in the state.

"The federal government has to do it because the state government has failed," Dallas County Treasurer Joe Wells told EPA officials.

[Nicholas Stern Warns Of Greater Climate Costs](#)

The price of fighting climate change is even higher than what was estimated in a 2006 study, said British economist Nicholas Stern, who earned an estimated 500,000-dollar Spanish award on Friday for his work.



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