



Concerning gas supplies and production analysts

Posted by [Heading Out](#) on January 19, 2006 - 2:12pm

Topic: [Supply/Production](#)

Sorry but I can't resist this quote. There was an [ASPO meeting](#) in the UK yesterday. The invited along Michael Lynch, who among other things had the following comment:

He says that the study of peak oil is not a science and that those who advocate it are guilty of naiveté, ignorance and plain manipulation of the data. "There are a lot of zealots out there and a lot of claims are made which are not tested," he says. "It is true that oil is finite but since 1989 people have repeatedly predicted the peak too soon and have had to keep on increasing their estimate of reserves. Just because a country's output has peaked and gone into decline, it doesn't mean that production can't rise again."

(Grin, and a nod to [Powerswitch](#). (So Stuart and Prof take note, you are being watched (:-)). Incidentally Chris Skebowski is quoted as saying that he expects the peak to be in 2008, and I am presuming that he is including NGL and other non-conventional sourced liquids in this.

While the Iranian situation seems to be easing off a bit, the cold spell in Russia is now affecting supplies to a number of [countries](#), the BBC reporting that a number of countries have seen supply drops, although Gazprom is perhaps claiming that it is still meeting its obligations. (A later [BBC story](#) says that they have cut back, despite their earlier denial). That second story also comments that:

More seriously, some of the oil wells in Siberia have frozen, and Russia is producing 200,000 barrels of oil a day less than it was last month.

Over on the Eastern Siberian coast Sakhalin Island has shut down for the winter, since oil still moves from there by tanker, although there are plans to put in pipelines so that by 2008 the oil can flow, even at times like these. (Tip to Nick Rouse).

The weather is supposed to become even more severe through Friday over there, and so one might assume that this shortage of supply will remain in place through the weekend.

Unfortunately it is hard to see where other countries can get, in the short term, an alternative supply. If, in fact Western Europe is seeing a shortage of about 20%, then we know from the Ukrainian situation at the New Year, that neither the Netherlands nor Norway is going to be able to help very much. There are a couple of new pipelines going in, but neither will be in place for at least a year, and this is probably too short a time frame, and too small an opportunity, for an alternate source to be developed. On the other hand, [BP](#) is telling you not to worry.

And on a couple of parenthetical notes Moldova has also now [agreed](#) to pay more for their gas. A little more, in fact, than the Ukraine. And Exxon Mobil is [denying reports](#) that they have suspended exports from Nigera, as I had noted that they had done, yesterday.

I also want to note that activity is continuing to recover gas from the [Barnett Shale](#) in Texas, as much because it will be interesting to revisit this over the next couple of years to find out how supply holds up, given

The Barnett Shale is the largest gas producing field in Texas and one of the three largest in the United States, with production expected to exceed 400 billion cubic feet this year.

To put that in perspective, see [here](#) and [here](#).

Historically there has been a bit of a lull in demand in the second quarter of the year, between the fuel needs of winter and the driving and air conditioning demands of the summer. This is the time for refinery maintenance, oil stock buildup and the like. That drop in demand is unlikely to occur, given that borrowed fuel must be repaid, and the discussions about increasing the size of the SPR. If both the US and China choose to put oil into SPR tanks, then demand may even rise, and prices with them. This was a constraint on Chinese action in this regard, last year. However, given the benefits of such action, one wonders whether they will continue to hold off much longer?



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