



## DrumBeat: May 23, 2008

Posted by [Gail the Actuary](#) on May 23, 2008 - 9:17am

Topic: [Miscellaneous](#)

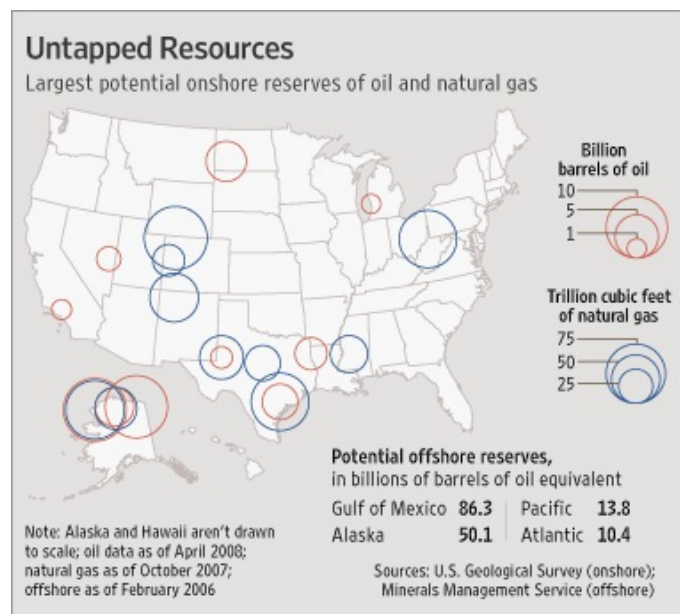
### [Wall Street Journal: If \\$4 Gas Is Bad, Just Wait](#)

Judging from the futures markets, shock at the gas pump is bound to get worse. Maybe much worse. [...]

If oil hits \$200 a barrel, which is the upper end of Goldman Sach's prediction for prices over the next six months to two years, the gasoline picture changes quite dramatically. At \$200 a barrel, crude alone would cost \$4.76 a gallon. Add on the costs of refining and distributing as well as taxes, and pump prices could rise to a range of \$6 to \$7 a gallon.

### [Oil Industry, Lawmakers Aim To Lift Bans on Drilling](#)

Mounting concerns about global energy supply are fueling a drive by the oil industry and some U.S. lawmakers to end longstanding bans on domestic drilling put in place to protect environmentally sensitive areas.



### [Colorado water law could prove too tough for in-situ uranium mining](#)

The Colorado Uranium Mining & Water Protection Act may have serious implications for future Colorado in-situ leach uranium projects, as it implements what may be the toughest U.S. water quality regulatory regime for uranium mining.

A newly signed uranium water monitoring law may ultimately prove too punitive for Colorado uranium in-situ leach miners, depending on the subsequent state regulations used to implement the law.

Stuart Sanderson, Colorado Mining Association President, said, "If we place unrealistic requirements on the uranium industry that is re-emerging in Colorado and the United States, we will find ourselves as dangerously reliant on foreign sources of uranium as we are dependent on foreign oil."

### [US renewable energy consumption slips on lower hydro output: EIA](#)

US consumption of renewable energy fell 1% in 2007 to 6,830 trillion Btu from 2006, largely because of a sharp drop in hydro-electric generation last year, the US Energy Information Administration said.

In releasing preliminary numbers on Wednesday, the agency said the decline in renewable consumption came as both total and non-renewable energy consumption increased by 2%.

### [Jet fuel costs rise faster than crude](#)

Jet fuel prices are rising much faster than crude oil prices, threatening the profitability of the airline industry, as demand for middle distillates, a category that includes jet fuel but also diesel and heating oil, surges, writes Javier Blas in London .

### [NGSA: No natural gas shortage in the US](#)

Fordham said that while gas production from the Gulf of Mexico has been dropping in recent years, producers have met consumer demand by developing new gas finds in unconventional shale fields in Texas and in Marcellus shale field, which stretches from New York to West Virginia. NGSA also expects US LNG imports to strengthen in future years, although competition from world demand will continue to limit imports in the near term.

### [Chris Skrebowski on BBC News: 'We're in the foothills of peak oil' \(audio\)](#)

The next peak will be when the producer countries' exports start falling. Because their growth rates are differentially much higher than those in the West.

So in effect they are pre-empting more and more of their own oil for their own use, so then we will get another upward kick to the price when that starts to come in.

Finally then we will get the peak oil where we simply cannot produce any more of any grade, any quality, anywhere. And that will give the final kick-up.

### [Producers say \\$200 oil is possible as prices hit record three days running](#)

Libya's leading oil official, Shokri Ghanem, told Bloomberg TV: "It is out of our hands. \$200 a barrel is not logical but even \$135 is not logical, so yes oil could reach \$200 a barrel. Why not?"

### [Oil supplies: Running on empty?](#)

"The high-priced energy environment is being driven by the fact that demand has outstripped supply," President George Bush's Energy Secretary, Samuel Bodman, told the US Congress yesterday. "We have sopped up all the available spare oil production capacity in the system ... and there is no silver bullet that will immediately solve our energy challenges or drastically reduce costs at the gas pump."

### [High prices won't stop the world going on growing](#)

So will the surge in the oil price have similar consequences this time? It is a tough judgement because we don't know how high oil will go, but it looks likely that this oil shock will have a less damaging impact than in the 1970s. However, since the price is unlikely to fall back as far, it will have a more lasting impact on our way of life.

### [Second horizontal development well commences in Khurbet East Field](#)

Gulfsands Petroleum announced that the Company has commenced the drilling of the second horizontal development well within the Khurbet East Field ("KHE-6H"). The KHE-6H well will be completed and suspended as an oil producer for connection through the Early Production Facility ("EPF"), scheduled to commence operation by the fourth quarter of 2008.

The KHE-6H well is designed to be drilled and completed as a horizontal producer within the Cretaceous Massive Reservoir ("Massive Reservoir") in the Khurbet East Field. The Company estimates that approximately 50 days are required for the drilling, evaluation and completion of the KHE-6H well.

### [US, Japan agree to joint methane hydrate study](#)

Japan has decided to pursue joint research and development on methane hydrate with the US, aiming to commercialize it as an energy source by 2018.

By sharing their findings, Japan and the US aim to accelerate research and development efforts and establish a global standard for production technology. The two governments already have begun working-level talks, and are expected to reach a final agreement by this summer.

### [Timchenko Says Putin Link Hyped](#)

The owner of Swiss-based oil trader Gunvor has denied that Prime Minister Vladimir Putin's help was key to turning his firm into a global player in an open letter called "Gunvor, Putin and me: the truth about a Russian oil trader."

### [BP faces cold war in Russian venture](#)

Relations between BP and its billionaire partners in the Russian joint venture TNK-BP appear to be worsening, amid a warning from the operation's chief executive Robert Dudley that recent legal action will be damaging to all shareholders.

It emerged yesterday that an obscure Moscow-based investment firm, whose legal action in a Siberian court is preventing 147 senior BP staff from working for the venture, is demanding about \$400m (£200m) from BP.

### [Maersk drills longest well at Al Shaheen](#)

DOHA: Maersk Oil has finished drilling the longest hole in the world with a length of 40,320 feet (12.3km) at Al Shaheen Field, offshore Qatar, beating the 20-year old record of the Russian Kola Peninsula exploratory well.

With a horizontal section of 35,770ft (10.9km) Maersk Oil's BD-04A well also extended the company's previously held world record for the longest horizontal well by 9,000ft (3km). The entire horizontal reservoir section was placed within a reservoir target which is only 20ft thick.

### [Govt in a bind over oil prices](#)

With crude oil spiking to \$135/barrel on Thursday, and showing no sign of cooling anytime soon, indications are that the government is considering the hard option of raising the petrol price by up to Rs 2 a litre but leaving diesel unchanged. This, along with a reduction in excise and customs levies, form the key elements of a rescue package being worked out for the state-run oil marketing firms.

### [Power generation to rise by 2,200MW in one year](#)

LAHORE: In order to bridge the gap between electricity generation and consumption, the federal government has approved several power projects to be executed on fast

track basis while additional 2,200 megawatts will be added to the national grid within one year. . . . . WAPDA General Manager (Technical Services) Dr Izhar-ul-Haq briefed the delegation about the hydropower and water sectors, saying Pakistan had the potential to generate more than 54,000MW low-cost hydropower.

The delegation was told that per capita water availability in the country dropped to an alarming level of 1,070 cubic metres in 2007. It was further told that the country had already lost storage capacity equivalent to 5.13 million acre feet due to silting in the reservoirs of Tarbela, Mangla and Chashma.

#### [Decision on Asia Energy's offer after coal policy finalisation](#)

Dhaka: The UK-based Asia Energy had made an investment offer of \$2 billion to develop open-cast coal mine and set up a power plant at Phulbari coal field. The country has a known reserve of 2.7 billion metric tons of coal.

#### ['Miracle crop' for food, fuel](#)

Washington - The hardy sweet sorghum plant could be the miracle crop that provides cheap animal feed and fuel without straining the world's food supply or harming the environment, said scientists working on a pilot farming project in India.

#### [Eskom's Moosa hits back](#)

Johannesburg - Chairman of Eskom Valli Moosa has strongly denied the suggestion that Eskom management has been pre-occupied with the profitability of the utility at the expense of providing adequate supply of electricity to the country. . . . Moosa also said Eskom's board disagrees with the Nersa's conclusion that "there appears to be a conflict between Eskom's business objectives and its reason for existence: to supply electricity"

#### [NOAA's Climate Center Predicts This Season's Hurricane Activity](#)

The National Oceanic and Atmospheric Administration's Climate Prediction Center announced that projected climate conditions point to a near normal or above normal hurricane season in the Atlantic Basin this year. The prediction was issued at a news conference called to urge residents in vulnerable areas to be fully prepared for the onset of hurricane season, which begins June 1, 2008.

#### [Palin, lawmakers to revisit energy relief](#)

Gov. Sarah Palin will call the Legislature into a special session this summer meant to provide Alaskans some relief from the soaring cost of energy.

#### [Palin backs TransCanada pipeline plan](#)

Gov. Sarah Palin is calling for TransCanada to get the state license and \$500 million

subsidy to pursue building a natural gas pipeline from the North Slope. . . . TransCanada is proposing to build a line from the North Slope to Alberta, where it would connect to the North American pipeline network.

### [Russia's monthly oil output shrinks](#)

Russia's oil and gas condensate production inched down 0.7 percent to 39.7m tonnes in April 2008 compared to the same month a year earlier, the Federal State Statistics Service (Rosstat) reported today. Oil output shrank 3.6 percent in April compared to March.



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