



ENERGY ASSURANCE DAILY

Tuesday Evening, July 20, 2010

Major Developments

Update: Blown-Out Well Remains Shut-in as Well Integrity Test Continues in Gulf of Mexico July 20

The blown-out MC252 well remained shut-in with no oil flowing into the Gulf of Mexico on July 20, BP said on its website. The well integrity test continued, as of latest reports. The government and BP said on July 19 that a methane gas seepage near the well was a natural event, unrelated to the ongoing well integrity test. Retired U.S. Coast Guard Admiral Thad W. Allen said “small seepages” near the well were not seen as “any threat to the well bore.”

<http://www.bp.com/extendedsectiongenericarticle.do?categoryId=40&contentId=7061813>

<http://www.deepwaterhorizonresponse.com/go/doc/2931/795987/>

http://www.nytimes.com/2010/07/20/us/20oilspill.html?_r=1&hp

Update: BP Considering “Static Kill” Method to Permanently Seal Blown-Out Well in Gulf of Mexico

BP is considering a process known as “static kill” to permanently seal the blown-out MC252 well in the Gulf of Mexico, a company official said. The process, also called “bullheading,” would involve pumping heavy mud into the well, forcing oil and gas downward. It could hasten the effort to halt the well. The company would only need to complete the relief well to verify that the technique was successful.

http://www.nytimes.com/2010/07/20/us/20oilspill.html?_r=1&hp

Update: BP Kept Drilling Despite Employee’s Report of Leaking Equipment on Deepwater Horizon Rig

BP kept drilling ahead of the fatal April explosion onboard the Deepwater Horizon rig in the Gulf of Mexico, an employee testified on July 20, despite a worker's report of a leak on a control pod linked to the blowout preventer. The chief engineer for Transocean Ltd. – the rig’s owner – said the rig had numerous technical issues ahead of the explosion.

Reuters, 19:24 July 19, 2010

<http://www.nytimes.com/2010/07/21/us/21hearings.html?hp>

Update: Massive “A Whale” Oil Skimmer Not Adept at Collecting Oil in Gulf of Mexico, Coast Guard Says – Smaller Skimmers More Appropriate

<http://apexnewsnetwork.com/24827/gulf-of-mexico-oil-spill-2010-%E2%80%98-whale%E2%80%99-oil-skimmer-not-helpful/>

Electricity

Storm Knocks Out Power Briefly to More than 40,000 PPL Customers in Pennsylvania July 19

The storm knocked out a transmission line, but power was restored in just a few minutes, a PPL spokeswoman said.

<http://www.poonorecord.com/apps/pbcs.dll/article?AID=/20100720/NEWS/7200314>

Update: Dominion's 925 MW North Anna Nuclear Unit 1 in Virginia Ramped Up to 98 Percent by July 20

Dominion shut the unit on July 14 due to small leaks along a Steam Generator sample line, it said in a previous filing with the Nuclear Regulatory Commission (NRC). The NRC reported that on the morning of July 19 the unit was operating at 1 percent.

<http://www.nrc.gov/reading-rm/doc-collections/event-status/event/2010/20100715en.html>

Information also derived from the NRC Power Reactor Status Reports:

<http://www.nrc.gov/reading-rm/doc-collections/event-status/reactor-status/2010/>

FirstEnergy's 1,235 MW Perry Nuclear Unit 1 in Ohio Reduced to 79 Percent by July 20

The Nuclear Regulatory Commission reported that on the morning of July 19 the unit was operating at 99 percent.

Information derived from the NRC Power Reactor Status Reports:

<http://www.nrc.gov/reading-rm/doc-collections/event-status/reactor-status/2010/>

State-Appointed Panel Says Entergy Must Enhance Corporate Culture if it Wants to Reliably Operate its Vermont Yankee Nuclear Power Plant

Entergy cannot reliably run its Vermont Yankee nuclear power plant for another 20 years unless it creates a “corporate culture where its individual employees and the organization as a whole have a questioning attitude, and where adequate resources are consistently spent on non-safety systems,” according to a report from a state legislature-appointed panel.

DJN, 11:54 July 20, 2010

Petroleum

BOEM Plans Public Meetings to Discuss Deepwater Drilling Safety, Containment, and Spill Response

Michael R. Bromwich, Director of the Bureau of Ocean Energy Management, Regulation, and Enforcement (BOEM), announced today that he will be leading a series of public meetings to collect information and views about deepwater drilling safety reforms, blowout containment, and oil spill response. Bromwich will be soliciting input from the general public, state and local leaders, and experts from academia, the environmental community, and the oil and gas industry. Meetings are currently being scheduled to occur in August in the following cities: New Orleans, LA, Lafayette, LA, Mobile, AL, Pensacola, FL, Santa Barbara, CA, and Anchorage, AK. Meetings will be held in early September in the following cities: Biloxi, MS and Houston, TX.

<http://www.doi.gov/news/pressreleases/Director-Bromwich-to-Host-Public-Meetings-Nationwide-to-Discuss-Deepwater-Drilling-Safety-Containment-and-Spill-Response.cfm>

Fire Extinguished at Shell's 327,000 b/d Deer Park, Texas Refinery July 20

It was not clear what caused the fire or if the incident had any impact to production.

Reuters, 11:54 July 20, 2010

Update: Valero Restarts HDU at 170,000 b/d McKee, Texas by July 20

Valero restarted the hydro-desulfurization unit 2 (HDU) by July 20 at its 170,000 b/d McKee, Texas refinery, the company said. A leak forced shut the unit.

Reuters, 11:12 July 20, 2010

BP to Install Diesel/Hydrogen Unit at 225,000 b/d Cherry Point, Washington Refinery

The unit would allow the company to produce fuel with lower sulfur content. Construction could begin in 2011; the work would take two years.

http://www.downstreamtoday.com/news/article.aspx?a_id=23391

Rapid Rise in Demand to Blame as Shell Gasoline Stations Run Dry in Calgary, Alberta

Some Shell stations in Calgary, Alberta have run out of gasoline as demand has risen to double its normal levels, a spokesman said. The company is considering importing supplies from outside Alberta.

<http://www.calgaryherald.com/news/calgary/Shell+stations+Calgary+face+gasoline+shortage/3297688/story.html>

Marathon Announces First Oil from Planned 50,000 Boe/d Droshky Development in Deepwater Gulf of Mexico July 19

Marathon Oil Corporation began production at its planned 50,000 net boe/d Droshky development in the deepwater Gulf of Mexico, approximately 160 miles southwest of New Orleans, Louisiana. The project is expected to yield about 45,000 b/d of liquid hydrocarbons and 30 MMcf/d of natural gas. The initial stage is slated to produce 35 million of the site's estimated 60 million boe net resource. Future expansion and ultimate total recovery will depend largely on well performance.

<http://phx.corporate-ir.net/External.File?item=UGFyZW50SUQ9NTM5ODB8Q2hpbGRJRD0tMXxUeXBIPtM=&t=1>

CNPC to More than Double Oil and Gas Production in Xinjiang Province, China

China National Petroleum Corporation plans to increase oil and gas production in Xinjiang Province, China to about 1 million boe/d in 2015, and about 1.2 million boe/d in 2020, the company said by July 20. CNPC's existing Xinjiang capacity is about 362,000 b/d of oil and about 2.2 Bcf/d of natural gas, according to an AFP news article. CNPC also plans to boost the province's oil refining and oil storage capacity.

http://www.google.com/hostednews/afp/article/ALeqM5ipc92LpwZSXuE2sORYK5xVwuc3_g
<http://english.people.com.cn/90001/90778/90862/7072547.html>

Natural Gas

Nothing to report.

Other News

Pirate Attacks Decline Globally in First Two Quarters of 2010: IMB

Pirate attacks declined globally over the first two quarters of 2010, compared to the same span in 2009, the International Chamber of Commerce's International Maritime Bureau (IMB). The IMB's 24 hour Piracy Reporting Centre recorded 196 incidents, compared to 240 incidents in 2009. The Somalia coast remains especially susceptible to pirate attacks. IMB Director Pottengal Mukundan credited naval actions for slowing the number of attacks in the Gulf of Aden.

http://www.icc-ccs.org/index.php?option=com_content&view=article&id=418:pirates-face-new-resistance-as-navies-strike-back-says-imb&catid=60:news&Itemid=51

CBO Report Casts Doubt on Value of Ethanol Subsidies

The Congressional Budget Office (CBO) released a report that cast doubt on the value of taxpayer-backed ethanol subsidies, but the renewable fuels industry quickly disputed some of the CBO's central findings. Among the CBO's conclusions:

- Biofuel tax credits reduced federal excise tax receipts by approximately \$6 billion in 2009.
- Producers of corn-based ethanol receive 73 cents to generate a quantity of ethanol equal in energy content to one gallon of gasoline. Cellulosic ethanol producers receive \$1.62, and biodiesel producers receive \$1.08.
- Taxpayers spend \$1.78, in the case of corn-based ethanol, to cut gasoline consumption by one gallon. For cellulosic ethanol, they spend \$3.00 per gallon.

The Renewable Fuels Association (RFA), for its part, criticized the report, saying it "relied on what were, in large part, worst-case assumptions and also failed to give credit for co-products." Among other complaints, the RFA said the CBO had likely overstated "the cost to taxpayers of displacing petroleum with ethanol by a factor of 3-4." To read a summary of the CBO's report, "Using Biofuel Tax Credits to Achieve Energy and Environmental Policy Goals," click on the first link below.

http://www.cbo.gov/ftpdocs/114xx/doc11477/SummaryforWeb_Biofuels.pdf
<http://www.ethanolrfa.org/exchange/entry/cbo-ethanol-and-the-rest-of-the-story/>
<http://www.greentechmedia.com/articles/read/congressional-budget-office-paints-dismal-portrait-on-ethanol-subsidies/>

U.S. Ethanol Production Will Grow With or Without "Blenders" Credit or Import Tariff: CARD Study

Despite U.S. producers' claims to the contrary, the U.S. ethanol market would not see a dramatic, negative impact if the federal government eliminates a 45-cent-per-gallon tax credit for "blenders" who add ethanol to gasoline, according to a report from the Center for Agricultural and Rural Development (CARD). Similarly, the United States would not import significantly more ethanol if the nation got rid of an existing 54-cent-per-gallon tariff on ethanol imports. U.S. ethanol production would rise to 14.5 billion gallons/year by 2014 without the tax credit and import tariff. U.S. imports of Brazilian ethanol would rise modestly to about 740 million gallons, or less than 5 percent of the total U.S. ethanol market. The report also asserts that ending the tax credit and tariff would cut ethanol prices by 12 cents per gallon in 2011 and 34 cents per gallon in 2014. To read more, click on the link below.

http://www.card.iastate.edu/about/news/show_release.aspx?id=67

Energy Prices

U.S. Oil and Gas Prices			
July 20, 2010			
	Today	Week Ago	Year Ago
CRUDE OIL West Texas Intermediate U.S. \$/Barrel	77.07	76.86	63.98
NATURAL GAS Henry Hub \$/Million Btu	4.56	4.42	3.39

Source: Reuters

Energy Notes

Duke Energy Reports 20,740 Customers without Power in Indiana July 19

<http://www.duke-energy.com/indiana/outages/current.asp#>

Storms Knock Out Power to Almost 15,000 Tucson Electric Power Customers in Arizona July 19-20 - Company Restores Power to all but 500 by Late Morning July 20

<http://www.kvoa.com/news/power-outages/>

Copper Stolen from AEP Tower in Ohio by July 20 - Wire Was Coated in Sticky, Un-Removable "Black Mastic," Company Says

http://www.mysentinel.com/view/full_story/8816610/article-Copper-theft--accidents-reported?instance=secondary_news_left_column

Sierra Club and Audubon Arkansas File Motion to Stop Construction of SWEPCO's Proposed Turk Coal-Fired Power Plant in Arkansas

http://www.fox16.com/news/state/story/Sierra-Club-Audubon-file-against-SWEPCO-plant/F0upz3P_iUqcknuXsOdIpw.csp

Cops Nab Two Men for Allegedly Stealing Car, Transmission Lines, and Other Gear from TVA Storage Site in Tennessee by July 18

<http://www.wbir.com/news/local/story.aspx?storyid=127559>

FEMA to Evaluate Emergency Drill at Dominion's North Anna Nuclear Power Plant in Virginia from July 19

<http://finance.yahoo.com/news/US-team-to-assess-Va-nuclear-apf-897285804.html?x=0&.v=1>

Siemens to Install CO2 Capture Project at Tampa Electric's 1,892 MW Big Bend Coal-Fired Power Plant in Florida

http://www.siemens.com/press/pool/de/pressemitteilungen/2010/energy_service/ESE201007101e.pdf

After Two Pipeline Explosions, about 11,000 Barrels of Oil Spills into Yellow Sea, China over Weekend

<http://www.bbc.co.uk/news/world-asia-pacific-10680630>

Somali Pirates Free UBT Ocean Fuel Oil Tanker by July 20 – Pirates Hijacked Vessel in March 2010

<http://af.reuters.com/article/topNews/idAFJOE66J0BA20100720?feedType=RSS&feedName=topNews>

China Rejects IEA Data, Says United States Remained World's Biggest Energy Consumers in 2009 – IEA Reported That China Consumed about 4 Percent More Oil Equivalent than United States in 2009

<http://online.wsj.com/article/SB10001424052748703720504575378243321158992.html>

Apache Corp Receives Federal Authorization to Drill for Natural Gas in Shallow Gulf of Mexico Offshore Texas by July 19

<http://www.businessweek.com/ap/financialnews/D9H2DR080.htm>

BLM Okays Environmental Study for Antero Resources' Bid to Drill 284 Natural Gas Wells in Colorado – Company Plans to Start Drilling in Summer or Fall 2010

<http://www.washingtonexaminer.com/breaking/antero-poised-to-begin-drilling-near-silt-98750504.html>

Enterprise Products to Fix Corrosion along 12-Inch Natural Gas Pipeline in Reeves County, Texas July 19

<http://www11.tceq.state.tx.us/oc/eer/index.cfm?fuseaction=main.getDetails&target=142344>

Multiple Engines Shut and Restart at Andrews Booster Station in Texas July 19

<http://www11.tceq.state.tx.us/oc/eer/index.cfm?fuseaction=main.getDetails&target=142521>

<http://www11.tceq.state.tx.us/oc/eer/index.cfm?fuseaction=main.getDetails&target=142530>

Engines Shut, Restart at Riley Booster Station in Texas July 19

<http://www11.tceq.state.tx.us/oc/eer/index.cfm?fuseaction=main.getDetails&target=142520>

“B” Turbine Shuts and Restarts at Goldsmith Gas Plant in Texas July 19

<http://www11.tceq.state.tx.us/oc/eer/index.cfm?fuseaction=main.getDetails&target=142524>

Update: U.S. House of Representatives Subcommittee Denies Amendment that Would Have Provided \$100 Million of Funds in 2011 to Yucca Mountain Nuclear Repository Project in Nevada

<http://www.platts.com/RSSFeedDetailedNews.aspx?xmlpath=RSSFeed/HeadlineNews/Nuclear/8913575.xml>

Update: Barring Significant Financial Incentives, Midwest-to-U.S. East Coast Ethanol Pipeline Would Need to Deliver 4.1 Billion Gallons/Year of Ethanol to be Economically Feasible: DOE Study

<http://blogs.desmoinesregister.com/dmr/index.php/2010/07/19/ethanol-pipeline-not-viable-at-projected-demand-study-says/>

U.S. Carmakers On Pace to Produce 1.4 Million Flex-Fuel Vehicles in 2010, Compared to 700,000 in 2006

<http://www.businessweek.com/ap/financialnews/D9H286MO0.htm>

Links

This Week in Petroleum from the Energy Information Administration (EIA)

<http://tonto.eia.doe.gov/oog/info/twip/twip.asp>

Updated every Wednesday.

Weekly Petroleum Status Report from EIA

http://www.eia.doe.gov/oil_gas/petroleum/data_publications/weekly_petroleum_status_report/wpsr.html

Updated after 10:30 AM & 1:00 PM EST every Wednesday.

Natural Gas Weekly Update from EIA

<http://tonto.eia.doe.gov/oog/info/ngw/ngupdate.asp>

Updated after 2:00 PM EST every Thursday.

ENERGY ASSURANCE DAILY

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<http://www.oe.netl.doe.gov/ead.aspx>

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