



ENERGY ASSURANCE DAILY

Friday, August 11, 2006

Major Developments

Update: BP to Meet With Federal and State Regulators to Assess Restoration of Prudhoe Production

DOT Authorizes Continued Production from Western Prudhoe Field – BP Still Analyzing Situation Before Decision on Continuing Production

Although BP received a Corrective Action Order (CAO) from the responsible U.S. Department of Transportation agency indicating that BP could continue operation of the western portion of the Prudhoe field, the company has not made a decision as yet. In a statement following the DOT ruling, the Steve Marshall, President of BP Exploration Alaska indicated that the company was analyzing the Order to determine “the actions and resources required to continue use of the transit lines in the western portion of the field.” Marshall also stated that BP “expects to reach a decision by the beginning of next week whether we can continue to safely operate the WOA (Western Operating Area).”

<http://usresponse.bp.com/go/doc/1249/128056/>

DOT Order Includes Stringent Testing Requirements

The CAO issued on August 10 by the Pipeline and Hazardous Materials Safety Administration imposes stringent monitoring, testing and information requirements on BP. Specifically, within one day of the receipt of the order, “BP shall begin four times daily visual and handheld infrared surveys via ground patrol of the entire length of the EOA, Lisburne, and WOA pipelines.” BP is required to report the results on a weekly basis.

Note: a PDF version of the DOT order is available at:

http://usresponse.bp.com/posted/1249/2006_Aug_10_CAO_Amend_No_2.128055.pdf

http://biz.yahoo.com/ap/060811/oil_field_shutdown.html?.v=2

BP Says Prudhoe Production Now at 155,000 b/d up from 120,000 b/d on Aug. 10

In a statement on BP’s Internet site, the company announced that current production from the Prudhoe field is approximately 155,000 b/d of crude oil and natural gas liquids. This is an increase of 35,000 b/d from the level announced on Thursday of 120,000 b/d. BP also stated that the company would meet on Friday with Federal and state regulators to assess the options for continuing and restoring Prudhoe Bay production.

<http://usresponse.bp.com/go/doc/1249/128200/>

http://biz.yahoo.com/rb/060811/energy_bp_prudhoe.html?.v=4

BP Completes Orders for 16 Miles of Replacement Pipeline

BP confirmed that orders have been placed for 16 miles of replacement pipeline to be supplied by U.S. mills, with delivery expected during the fourth quarter of this year.

<http://usresponse.bp.com/go/doc/1249/128200/>

IEA Says World Can Cope with Outages but Capacity Cushion is Thin

The International Energy Agency (IEA) estimates that markets can cope with the loss of production from Alaska at present. However, IEA also notes that a number of threats including the hurricane season means that any excess supply capacity is limited. IEA also estimates that full production from the Prudhoe fields will not be restored until after March of next year. The IEA bases its assessment on the resumption of production in the western portion of the field in October with production reaching 200,000 b/d by November and the completion of repairs in the eastern portion of the field by the end of January.

<http://www.platts.com/Oil/News/8581413.xml?p=Oil/News&sub=Oil>

Bloomberg, 06:08 August 11, 2006

OPEC Ready to Correct Supply Imbalance

OPEC announced that the organization stands ready to bring on additional production to help correct any supply imbalance that develops as a result of the loss of Alaskan production. OPEC will monitor the situation and if necessary convene an extraordinary meeting prior to the next regular quarterly meeting scheduled for September. Oil analysts also indicate that OPEC's current levels of production allow for considerable offsets.

<http://www.platts.com/Oil/News/7641058.xml?p=Oil/News&sub=Oil>

Update: Search for Alternative Crude Supplies Continuing

As reported yesterday in EAD, BP and West Coast refiners are searching for alternative supplies to replace the lost Alaskan crude. Supplies from Africa, the Middle East, Russia, and Latin America have all been suggested as having the potential to replace ANS. The latest information indicates that BP has aggressively sought replacement supplies and according to the BP Internet site has acquired more than 4.5 million bbls of crude oil to help cover the loss of production from Prudhoe Bay. Further, there are reports that a tanker has been booked to take one million bbls of crude from the Russian Black Sea Port of Novorossiysk. However, some analysts caution that there could be potential delivery problems should any of the tankers fail to meet the stringent standards of the West Coast ports.

<http://usresponse.bp.com/go/doc/1249/128200/>

Bloomberg, 11:46 August 11, 2006

Electricity

Progress Energy's 938 MW Brunswick 1 Nuke Unit in North Carolina Shut Aug. 11

The company shut the unit to work on the non-nuclear side of the plant.

Reuters, 08:42 August 11, 2006

Reliant's 245 MW Coolwater 3 Gas-fired Unit in California Shut Aug. 11

Reuters, 08:42 August 11, 2006

AES' 227 MW Huntington B 4 Gas-fired Unit in California Shut Aug. 11

Reuters, 08:42 August 11, 2006

Exelon's 912 MW Quad Cities 2 Nuke Unit in Illinois Reduced to 85 Percent Aug. 8

The company reduced the unit to work on a pump motor.

Bloomberg News, 16:40 August 10, 2006

Ground Broken on 300 MW Treasure Coast Energy Center in Florida

On August 9 the Florida Municipal Power Agency held a groundbreaking ceremony for the 300 MW Treasure Coast Energy Center. The project is located in St. Lucie, County in Florida. The project is expected to be online in 2008.

http://www.fmpa.com/html/power_supply/pdf/news_release.pdf

Texas PUC Calls for Conservation, Expected Load to Strain System – Aug. 10

http://pro.energycentral.com/professional/news/power/news_article.cfm?id=7018203

Petroleum

Rates Cut at Citgo's 165,000 b/d Corpus Christi, Texas Refinery Aug. 10 -Traders

Traders said that Citgo had cut feed to the refinery's only crude unit. Traders expect the unit to be down for two to three days.

Reuters, 16:43 August 10, 2006

Magellan Midstream Terminals to Switch to Low-Sulfur Diesel Aug. 15

The company will begin selling ultra-low sulfur diesel (ULSD) at 73 of its 81 terminals starting August 15.

Magellan Midstream Partners LP owns pipelines and fuel terminals in the eastern U.S.

Bloomberg News, 12:21 August 11, 2006

Update: Nigerian Bonny Light Output Returns to Normal Range

Sources say that Shell is now pumping between 410,000 to 430,000 b/d of Bonny Light crude after fixing a leak on its Nembe Creek trunk line in the Niger Delta. The leak, which was found on July 21, had reduced Shell's Bonny Light crude output by 180,000 b/d and Chevron's output by 30,000 b/d. Chevron said that it had restored 25,000 b/d on the line. Shell has not yet commented on operations and said that a force majeure remained in place for Bonny shipments. In 2005, Nigeria supplied about 8 percent of total U.S. oil imports.

Reuters, 12:36 August 11, 2006

<http://www.marketwatch.com/News/Story/Story.aspx?dist=newsfinder&siteid=google&guid=%7B6FDE723E-2C8A-45C7-BFFD-5E5CDF1BA893%7D&keyword=>

PdVSA to Buy 27 New Oil Rigs to Boost Venezuelan Crude Production to 5 Million b/d

The state-owned oil company plans to spend \$2 billion on 27 new oil rigs to help boost oil production to 5 million b/d over five years. However, market observers say that Venezuela is struggling to maintain existing production levels. Official oil production figures say that the country is producing 3 million b/d but many analysts say that output is only around 2.6 million b/d. In 2005, Venezuela supplied 11.7 percent of total U.S. oil imports.

Reuters, 11:29 August 11, 2006

Update: Crude Prices Stable on Signs Foiled Terrorist Attack Won't Deter Travel

Oil prices fell sharply yesterday in reaction to a foiled plot to bomb U.S.-bound aircraft as traders worried that the attack would curb air travel and cause an economic slowdown. Today oil prices were little changed amid speculation that yesterday's fears were exaggerated. British Airways said it plans to operate on a "near-normal" schedule today.

Bloomberg News, 13:35 August 11, 2006

Natural Gas

Pipeline Compressor Damage May Affect Gas Supplies from Elba Island LNG Import Terminal in Georgia

Southern LNG said that the ability of its LNG terminal to send out interruptible gas supplies may be temporarily limited due to unexpected repairs on compressor stations along the Wrens-Savannah natural gas pipeline in Georgia. The Woodcliff compressor stations suffered storm damage and won't be back online until August 17. The line can send out up to 90,000 dekatherms per day.

<http://www.platts.com/Natural%20Gas/News/7642838.xml?p=Natural%20Gas/News&sub=Natural%20Gas>

Update: AGL Working to Resolve Concerns About Jefferson Island Natural Gas Storage Expansion in Louisiana

Earlier this week the Louisiana Department of Natural Resources (DNR) terminated a mineral lease necessary for AGL to create two new storage caverns at its Jefferson Island Storage & Hub facility in Lake Peignur. In a letter to AGL, the DNR explained that company's lease had expired due to a six month lack of mining operations at the site. On Tuesday, the company said it would work to resolve the issues.

<http://biz.yahoo.com/bw/060808/20060808006104.html?.v=1>

http://home.businesswire.com/portal/site/google/index.jsp?ndmViewId=news_view&newsId=20060808006104&newsLang=en

Other News

NRC Backs Self Policing on Tritium Leaks

The Chairman of the Nuclear Regulatory Commission announced support for the "groundwater protection initiative." The initiative was proposed by the Nuclear Energy Institute, a trade association that calls for self-policing by operators of nuclear power plants to monitor leaks of radioactive tritium.

http://pro.energycentral.com/professional/news/power/news_article.cfm?id=7017038

Energy Prices

U.S. Oil and Gas Prices			
August 11, 2006			
	Today	Week Ago	Year Ago
CRUDE OIL West Texas Intermediate U.S. \$/Barrel	74.25	74.80	65.67
NATURAL GAS Henry Hub \$/Million Btu	7.94	7.60	9.29

Source: Reuters

Energy Notes

Stony Brook University Planning Alternative Energy Research Center

<http://powermarketers.net/contentinc.net/newsreader.asp?ppa=8knpp%5E%5BiknqnoqUSmkt%3EEvbfel%5Dv>

MMS Says Production Incentives for Gas Hydrates Not Needed Now

<http://intelligencepress.com/>

PIW: U.S. Using SPR More Freely, Proactively

http://www.energyintel.com/PublicationHomePage.asp?publication_id=4

Venezuela Begins Certifying 235 Billion Barrels of Orinoco Crude Reserves

Reuters, 15:44 August 11, 2006

Calls for Autonomy Increasing in Oil-Rich Southern Iraq

Oil Daily August 11, 2006

LNG Influx Could Prompt Need for More Pipelines in Southern California - Analyst

<http://www.platts.com/Natural%20Gas/News/8581518.xml?p=Natural%20Gas/News&sub=Natural%20Gas>

Florida Gas Again Issues Shipper Alert Due to Heat

http://yahoo.reuters.com/news/articlehybrid.aspx?storyID=urn:newsml:reuters.com:20060810:MTEH68560_2006-08-10_17-08-29_N10468022&type=comktNews&rpc=44

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.

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

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