



ENERGY ASSURANCE DAILY

Monday, August 07, 2006

Major Developments

BP's Prudhoe Bay Oilfield in Alaska Shutting Due to Severe Pipeline Corrosion

BP is shutting its Prudhoe Bay oilfield, the biggest oilfield in the United States, due to the detection of severe corrosion on an oil transit pipeline. BP Officials do not know how long the 400,000 b/d field will be out of service. According to a Reuters' news story, some analysts and experts say that repairs could take months. The field is expected to take several days to shut. Output from the Prudhoe Bay oilfield represents about 8 percent of total U.S. crude oil production and about 2.6 percent of total U.S. crude oil consumption (U.S. production plus imports). BP made the decision to shut the field after an internal sensing device, known as a smart pig, found severe corrosion-related wall thinning in several locations along a 30-inch pipeline that transports oil from the Prudhoe Bay field to the Trans Alaska Pipeline. It is not yet known what effect the sudden drop in flow caused by the Prudhoe Bay closure will have on the Trans Alaska Pipeline, which in 2005 pumped nearly 900,000 b/d to an oil export terminal at the port of Valdez. West Coast refineries utilize virtually all of Alaska's oil output.

<http://www.chron.com/disp/story.mpl/ap/business/4098446.html>

<http://www.alyeska-pipe.com/Pipelinefacts/Throughput.html>

www.eia.doe.gov

Reuters 12:43 August 7, 2006

U.S. Department of Energy Ready to Release Oil From Strategic Petroleum Reserve

Energy Secretary Samuel Bodman said that the DOE was ready to make crude oil loans to refiners on the West Coast who might experience supply problems due to the shutdown of Alaska's Prudhoe Bay oilfield. Bodman said the loans could reach the West Coast via barge.

Reuters, 10:38 August 7, 2006

IEA Says No Need to Tap Emergency Oil Reserves Because of Prudhoe Bay Shutdown

The International Energy Agency said it sees no need for the agency to tap its emergency oil reserves to make up for lost supply from the closure of the Prudhoe Bay oilfield in Alaska.

Reuters, 08:33 August 7, 2006

Saudi Arabia, OPEC Ready to Meet Any Oil Shortage Due to Prudhoe Bay Shutdown

Currently Saudi Arabia has 2 million b/d of spare capacity.

Reuters, 10:52 August 7, 2006

Tesoro Says Crude Supply Unaffected by Prudhoe Bay Shutdown

The company said that operations were not impacted by the shutdown because only 10 percent of its total crude supply came from Alaska's Prudhoe Bay. Tesoro also said that it had secure crude supply for the next 30 to 45 days for its Martinez, California refinery and its Anacortes, Washington refinery, both which use crude from Prudhoe Bay. Tesoro operates six refineries in the western United States with a combined crude oil capacity of more than 560,000 barrels per day.

Reuters 12:30 August 7, 2006

EIA Says Prudhoe Bay Shutdown Will Not Cause Fuel Shortages

According the U.S. Energy Information Administration, U.S. consumers on the West Coast will not face shortages of petroleum products due to the shutdown of BP's Prudhoe Bay oilfield in Alaska because crude oil inventories on the West Coast are "above average" and because the region's refineries are configured to run on diverse crude feedstock.

Reuters, 10:21 August 7, 2006

U.S. Gulf Coast Crude Oil Imports May Head to West Coast Due to Prudhoe Bay Shutdown – Traders

According to traders, some crude oil imports into the U.S. Gulf Coast were expected to be diverted to refineries on the West Coast to compensate for the shutdown of BP's Prudhoe Bay oilfield in Alaska. Traders speculated that Very Large Crude Carriers, too large for the Panama Canal, could transfer crude to Panamax tankers in the Caribbean, which would then sail to the West Coast via the Panama Canal. Other traders said that sour crudes from Russia and the Middle East would be good substitutes for the lost North Slope supply.
Reuters, 13:53, 12:09 and 06:35 August 7, 2006

Oil Prices Soar on Prudhoe Bay Shutdown, AAA See Record Gasoline Prices

Today the price of crude oil on the spot market surged as high as \$77.15 per barrel due largely to the shutting of BP's Prudhoe Bay oil field in Alaska. On Friday, oil on the sport market was trading at \$74.80 per barrel. Crude oil futures on NYMEX briefly jumped more than \$2 on the news of the shutdown, hitting a session high of \$76.85 for delivery in September. In response to the shutdown, the American Automobile Association (AAA) said that it expects U.S. retail gasoline prices to eclipse last year's record. Already in California, wholesale gasoline prices for delivery in August have risen by 8.5 cents. One trader interviewed by Reuters believes that crude runs would definitely be cut due to the Prudhoe Bay shutdown.

Reuters, 13:53 August 7, 2006

Reuters, 12:30 August 7, 2006

Reuters, 11:45 August 7, 2006

Source: Energy Assurance Daily, August 4, 2006

Electricity

TXU's 750 Martin Lake Coal-fired Unit 3 in Texas Shut Aug. 6-7

TXU closed the plant on August 6-7 to repair leaking tubes.

Reuters, 08:02 August 7, 2006

TVA's 1,121 MW Watts Bar Nuke Returns to Full Power in Tennessee by Aug. 7

According to the daily report of the Nuclear Regulatory Commission, the 1,121 MW nuclear facility exited an outage and by August 7 had ramped up to full power.

Reuters, 07:15 August 7, 2006

LS Power's 739 MW Gas-fired Moss Landing Unit 6 in California Shut Aug. 6

The unit was shut Sunday afternoon for unplanned reasons according to a report of the California ISO.

Reuters, 07:51 August 7, 2006

NRG Energy's 836 MW Coal-fired Limestone Unit 1 in Texas Shut Aug. 4

According to a report filed with regulators, the unit was shut to facilitate changing lube oil coolers on a feed pump as the company attempted to determine if the unit was leaking oil at a cooling tower.

Reuters, 07:59 August 7, 2006

International Power's 632 MW Coal-fired Coletto Creek Unit in Texas Shut Aug. 6

Reuters, 11:39 August 7, 2006

Mirant's 312 MW Gas-fired Pittsburg Unit 5 in California Shut Aug. 7

Reuters, 11:39 August 7, 2006

Petroleum

Delek Shuts Amine Unit at its 55,000 b/d Refinery in Tyler, Texas

Delek U.S. Holdings shut an amine unit at its refinery in Tyler, Texas to repair leaks. This shutdown is in addition to previous announcements that the company was shutting down a diesel hydrotreater and a sulfur recovery unit.

Reuters, 09:31 August 7, 2006

Valero Briefly Shuts Gas Compressor at its 130,000 b/d Refinery in Houston on Aug. 5

According to a filing with state regulators, Valero briefly shut the sat gas compressor on Saturday. The unit was offline for only about one hour for unplanned maintenance. The gasses normally processed were flared.
Reuters, 09:07 August 7, 2006

ExxonMobil Working to Complete Restart of Baytown, Texas Hydrocracker

According to notices filed with state regulators, ExxonMobil was working to complete the restart of a hydrocracking unit at its 563,000 b/d Baytown refinery in Texas by early morning August 7, 2006. The unit tripped offline on August 4, triggering a release.
Reuters, 18:35 August 6, 2006

Total's Oil Sands Project Delayed by Construction Schedule Problems

The boom in development of Canadian oil sands projects has become a factor in delaying the production startup of Total SA's oil sands from about 2010 to 2013. Although a firm decision has not been made, Total anticipates production of approximately 100,000 boe/d by sometime in 2013.
Reuters, 18:30 August 7, 2006

Deepening of Suez Canal to Facilitate Handling of Larger Oil Tankers

The Suez Canal is being deepened from 60 feet to 66 feet; a move that will make the canal more competitive and facilitate the movement of crude oil by allowing larger vessels with deeper drafts. The project is expected to be completed by the end of this year.
Reuters, 12:54 August 7, 2006

Natural Gas

Nothing to report.

Other News

Nothing to report.

Energy Prices

U.S. Oil and Gas Prices			
August 7, 2006			
	Today	Week Ago	Year Ago
CRUDE OIL West Texas Intermediate U.S. \$/Barrel	77.00	74.45	62.44
NATURAL GAS Henry Hub \$/Million Btu	6.97	8.04	8.60

Source: Reuters

Energy Notes

PDVSA Plans Three New 500,000 b/d Refineries in Venezuela for Startup in 2009

Reuters, 06:00 August 7, 2006

Update: Mexico Opposition Leader Vows Protests After Recount Bid Rejected

Reuters, 21:50 August 5, 2006

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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