



ENERGY ASSURANCE DAILY

Friday Evening, October 03, 2008

Major Developments

Just Under Half of Gulf of Mexico Oil and Gas Production Remains Shut in October 3

The Minerals Management Service (MMS) reported as of October 3, that 3,303 MMcf/d of the Gulf's natural gas production remains shut-in, equivalent to 44.6 percent of the Gulf's production. MMS also reported 626,045 b/d of the Gulf's crude production remains shut-in, equivalent to 48.2 percent of the Gulf's crude production. A total of 116 production platforms, or 16.7 percent of the Gulf's 694 manned platforms, remain evacuated. Personnel from 1 rig, representing 0.9 percent of the 116 operating in the region, remain evacuated.

<http://www.mms.gov/oc/press/2008/press1003.htm>

Majority of Gulf Area Waterways Return to Normal Operations, Few Limitations Remain Following Hurricanes

As of 8:00 AM EDT October 3, the Houston and Sabine Ship Pilots' Associations report operations continue as normal in guiding deep draft commercial ships, such as oil tankers and bulk carriers, through their respective ship channels. The Galveston/Texas City and Lake Charles Pilots' Associations also continue operations, but with draft restrictions of 38 feet and less in their waterways. In addition, the Gulf Intracoastal Waterway will be shut today from mile marker 338-339 for debris removal. As of 12:20 PM EDT October 1, restrictions on the Lower Mississippi River have been eased for deep draft vessels going up to Baton Rouge (mile marker 233.4). Nighttime transit is now allowed from mile marker 191 to 230 for all vessels with drafts of 40 feet or less.

http://www.oe.netl.doe.gov/named_event.aspx?ID=20

Petroleum Products Pipelines Resume Operations at Pre-Hurricane Levels in Gulf Coast Area October 3

As of 10:00 AM EDT October 3, almost all significant petroleum product pipelines have resumed operations at pre-Gustav levels. Plantation pipeline is the latest to report reaching normal operations, equaling to 600,000 b/d of crude flow. The 100,000 b/d Genesis crude pipeline has resumed normal operations along its crude oil gathering and refinery services systems.

http://www.oe.netl.doe.gov/named_event.aspx?ID=20

Post-Hurricane Restoration Efforts Keep Two Refineries Shut-in in Gulf Coast States

ExxonMobil's 348,500 b/d Beaumont, Texas refinery and Valero's 83,000 b/d Houston, Texas refinery are both shut-in. Valero reported late on September 29 that its Houston refinery had to shutdown its fluid catalytic cracker for as long as 3 weeks to undertake repairs.

http://www.oe.netl.doe.gov/named_event.aspx?ID=20

Seven Major Natural Gas Pipelines Now Shut in Gulf Coast Area October 3, Up from Five Reported October 1

As of 10:00 AM EDT October 3, seven major natural gas pipelines in the Gulf Coast area report complete shut-in of their systems. This is an increase of 2 pipelines from the October 1 Energy Assurance Daily. Specific company details are available below:

- As of 4:12 PM EDT October 1, Nautilus Pipeline Company declared a Force Majeure and notified its customers that due to excessive amount of liquids along its system, all gas flow has been shut-in until such time the liquids can be handled appropriately.
- As of 4:15 PM EDT October 1, Manta Ray Offshore Gathering declared a Force Majeure and reports that due to downstream limitations on processing natural gas, four receipt points from the Cleopatra system are shut-in.

- As of 6:20 PM EDT October 2, High Island Offshore System (HIOS) reports that the Force Majeure declared on September 10 remains in effect. HIOS informed its customers that a vessel is scheduled to start repair work on the 42-inch diameter mainline on Monday, October 6 and anticipates that the system will be fully restored by November 20. There is partial service that continues at 3 points along a lateral that was not damaged by Ike and only one of the four delivery points (interconnection with ANR Pipeline) is currently available.
- As of 8:00 PM EDT October 2, Transcontinental Gas Pipe Line (Transco) reports that multiple receipt points along the Southeast LA lateral remains shut-in due to a drilling rig striking the pipeline. The owner of rig estimates 12-13 weeks before it can be removed from the pipeline. Additional points along the Southeast Louisiana lateral that were not impacted by the drilling rig may be back in service within 2-3 weeks. In addition, Transco reports that Compressor Station 44 on the Southwest LA lateral sustained flood damage and repairs are estimated to be complete within 3 weeks and once the Station is operational, upstream gas flow can resume.

http://www.oe.netl.doe.gov/named_event.aspx?ID=20

Gasoline Shortages Ease Up in Southeast, AAA Reports

Atlanta, Georgia and Charlotte, North Carolina are the metropolitan areas most affected by fuel shortages caused by Hurricanes Gustav and Ike and have both seen an improvement in gasoline supplies at their area's retail fuel stations, the AAA (American Automobile Association) reported. Compared to this time one week ago, gas lines are shorter and less common. All 111 QuikTrip stations in metropolitan Atlanta reportedly have with gasoline, up from just 25 percent to 50 percent a week ago. The Department of Energy did report scarce supplies are expected to linger for a week or two as refiners restore operations while product pipelines continue to move supply and with fuel stations slowly building up inventory.

http://www.usatoday.com/money/industries/energy/2008-10-02-gasshortages_N.htm

Electricity

Cabrillo Power's 300 MW Encina Gas-fired Unit 4 in California Shut by October 2

According to the California Independent System Operator, the unit experienced an unplanned outage on October 2.

<http://www.caiso.com/unitstatus/data/unitstatus200810021515.html>

Update: Exelon's 1,111 MW La Salle Nuke Unit 1 in Illinois Ramped Up to 23 Percent October 3

The unit was shut September 29 to work on the main generator, including the repair of a leaky seal. The Nuclear Regulatory Commission reported the unit was operating at 3 percent on October 2.

<http://www.reuters.com/article/marketsNews/idUSN0219963720081002>

Information also derived from NRC Power Reactor Status Reports:

<http://www.nrc.gov/reading-rm/doc-collections/event-status/reactor-status/2008/>

Update: Exelon's 855 MW Quad Cities Nuke Unit 2 in Illinois Ramped Up to 97 Percent October 3

The unit was shut to repair a water pump. The Nuclear Regulatory Commission reported the unit was operating at 51 percent on October 2.

<http://www.reuters.com/article/marketsNews/idUSN0228940720081002>

Information also derived from NRC Power Reactor Status Reports:

<http://www.nrc.gov/reading-rm/doc-collections/event-status/reactor-status/2008/>

Update: APS's 1,247 MW Palo Verde Nuke Unit 3 in Arizona at Full Power October 3

The reactor switched off automatically on September 27 because of high levels of sulfates in the steam generators.

The Nuclear Regulatory Commission reported the unit was operating at 76 percent on October 2.

Bloomberg News, 07:18 October 3, 2008

Information also derived from NRC Power Reactor Status Reports:

<http://www.nrc.gov/reading-rm/doc-collections/event-status/reactor-status/2008/>

Update: SCE's 1,080 MW San Onofre Nuke Unit 3 in California Ramped Up to 75 Percent by October 3

According to the Nuclear Regulatory Commission, the unit was operating at 65 percent on October 2. Information derived from NRC Power Reactor Status Reports:

<http://www.nrc.gov/reading-rm/doc-collections/event-status/reactor-status/2008/>

New Jersey Board of Public Utilities Selects Garden State Offshore Energy to Develop 350 MW Wind Farm to be Located Off the Coast of New Jersey

Garden State Offshore Energy is a joint venture of PSEG Renewable Generation and Deepwater Wind. The 350 MW wind farm to be located 16 to 20 miles off the coast of New Jersey will be comprised of 96 wind turbines with an estimated completion date of early 2013.

http://www.pseg.com/media_center/pressreleases/articles/2008/2008-10-03.jsp

SDG&E Announces Policy Aimed at Preventing Wildfires by Cutting off Power – Three Major Wildfires in October 2007 Sparked by Arcing Power Lines

San Diego Gas & Electric (SDG&E) announced October 2 to its customers that the utility will be instituting a new wildfire preventative measure which includes cutting off electricity to areas which, during high-risk weather conditions, are extremely fire-prone. A California Department of Forestry and Fire Protection report in July 2008 reaffirmed earlier findings that the utility's arcing power lines sparked three major fires last fall -- the Witch, Guejito and Rice fires. Under the new plan, SDG&E says it could shut off power when the National Weather Service calls a red-flag warning, when local wind speeds are sustained with high gusts, when relative humidity is less than 20 percent and when moisture levels are low in living plants. SDG&E's fire-prevention program also includes improving line inspection, using helicopters to inspect remote lines, replacing wooden power poles with steel ones and using heavier wire in parts of the system, making it less likely lines would hit each other during high winds.

<http://www.signonsandiego.com/news/metro/20081003-9999-1n3sdge.html>

<http://www.nbcsandiego.com/news/17618164/detail.html>

Petroleum

U.S. Revised Oil Demand for July 2008 Fell to Lowest Level in 11 Years, EIA Reports

According to the Energy Information Administration's Petroleum Supply Monthly publication, oil demand in July 2008 fell to the lowest level for the month in 11 years, with consumption 736,000 barrels per day less than previously estimated and down 1.335 million b/d from a year earlier. The decline can be attributed to crude oil and gasoline prices hitting record highs in July, with Americans consciously driving less.

http://www.eia.doe.gov/pub/oil_gas/petroleum/data_publications/petroleum_supply_monthly/current/pdf/psmall.pdf
<http://www.reuters.com/article/GCA-Oil/idUSTRE4926MC20081003>

September 2008 U.S. Gasoline Inventories Lowest Since 1967 – EIA

EIA reported on October 1, 2008 that "at 179 million barrels as of September 19 and 180 million barrels as of September 26, total motor gasoline inventories are at the lowest levels since August 1967.

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

Wet Gas Compressor Repaired Following its Shut-down at Alon USA's 70,000 b/d Big Spring, Texas October 3

According to a filing with state regulators, Alon USA reported heavy emissions following the shutdown and maintenance of a wet gas compressor at its Big Spring refinery. The compressor and corresponding units have since been placed back online.

<http://www11.tceq.state.tx.us/oc/eer/index.cfm?fuseaction=main.getDetails&target=114953>

On-Going Maintenance Project at PdVSA's 300,000 b/d Cardon Refinery in Venezuela Cuts Gasoline Imports to the U.S. by 30,000 b/d, PetroFinanzas Reports

The Cardon, Venezuela refinery is running at reduced rates while maintenance work is being completed on its catalytic cracker. According to the PetroFinanzas report, throughout the 145-day estimated duration of the maintenance project, exports of reformulated gasoline to the U.S. will be cut by 30,000 b/d. Crude supplies to Cuba and other partners within Venezuela's subsidized financing program will not be reduced during the maintenance period.

Bloomberg News, 11:59 October 3, 2008

Update: BP Continues to Investigate September 17 Gas Leak Discovered at its Azeri Oil Project in Caspian Sea

According to a Baku, Azerbaijan-based BP representative, the company continues to investigate the cause of a gas leak at its Azeri project in the Caspian Sea, which has cut crude production from the development by about 60 percent. The two fields are part of the Azer-Chirag-Guneshli (ACG) group of fields, serving as the main crude source for the BP-operated Baku-Tbilisi-Ceyhan pipeline. In total, the two fields produce around 470,000 b/d, or over a half of the total ACG output of around 900,000 b/d.
Bloomberg News, 10:05 October 3, 2008

Iraq May Offer 12 Additional Oil Fields in Second Tender, EIG Reports

Without providing the source for the information, Energy Intelligence Group (EIG) reported that Iraq may offer up to 12 additional oil fields with proven reserves equaling 51 billion barrels in a second round of project licensing.
<http://www.bloomberg.com/apps/news?pid=20601104&sid=aRThjy699Mwo>

Natural Gas

Power Interruption Reported at Hess's Seminole Natural Gas Processing Plant in Texas October 1

According to a filing with state regulators, Hess reported its Seminole gas processing plant experienced an interruption in its power supply which in turn, shutdown most of the plant processing equipment, as well as field production facilities. The cause for the power interruption was identified as maintenance to complete system upgrade work at the electrical substation located nearby. The filing states that electrical power was re-established almost instantly, with field production and plant inlet volumes operating at reduced levels.
<http://www11.tceq.state.tx.us/oc/eer/index.cfm?fuseaction=main.getDetails&target=114885>

ExxonMobil Abandons Barnett Shale Projects in Texas Amid Increased Supplies and Drop in Prices

On October 2, ExxonMobil sold its stakes in gas fields and an 80-mile pipeline in Texas's Barnett Shale to Harding Energy Partners who, in turn, sold the gas fields and pipeline to Chesapeake Energy. The Barnett Shale area of Texas is the second largest U.S. natural gas producing region, behind the Rocky Mountain area. ExxonMobil abandoned the project as the value of natural gas fell by almost half in the past three months with a company representative saying, the project was, "not within our financial objectives."
<http://www.bloomberg.com/apps/news?pid=20601103&sid=aGP5QKVlqbXA&refer=us>

Other News

Nothing to report.

Energy Prices

U.S. Oil and Gas Prices			
October 3, 2008			
	Today	Week Ago	Year Ago
CRUDE OIL			
West Texas Intermediate U.S.	94.76	107.93	79.97
\$/Barrel			
NATURAL GAS			
Henry Hub	7.59	7.63	6.96
\$/Million Btu			

Source: Reuters

Energy Notes

Transmission Line Failure Leaves 14,000 Duke Energy Customers without Power in North Carolina October 3

<http://www2.statesville.com/content/2008/oct/03/transmission-line-failure-leaves-14000-without-pow/news-local/>

BP Reports Mishaps Resulting in Small Spill and Curtailment of 3,000-7,000 b/d of North Slope Production in Alaska October 3

<http://www.adn.com/oil/story/544567.html>

Bloomberg News, 12:58 October 3, 2008

OPEC Reports First Monthly Decline in Oil Production since April 2008 on Increased Violence in Nigeria and Saudi Arabia Production Cut-backs

http://www.rigzone.com/news/article.asp?a_id=67426

Nigerian Oil Union Postpones Strike to Hold Talks with Chevron

<http://www.platts.com/Oil/News/8070093.xml?p=Oil/News&sub=Oil>

Shell Reports Oil Spills from Sabotage-related Incidents Rose 47 Percent in Nigeria in 2007, with 221 Incidents of Sabotage and Vandalism to Infrastructure on Record

Bloomberg News, 11:01 October 3, 2008

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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