

Post 12th September, 2015

Some of the news items for this week are as follows:

1. The price of the barrel dropped below \$45 yesterday, and if signs are any indication, the decline may continue gradually.
2. Russia has declined to get into any kind of deal with OPEC to cut production and resurrect the price of the barrel. This means that the oversupply in the market will continue for the present.
3. Indonesia, which was an OPEC member for many years has decided to rejoin it. It had given up its OPEC membership in early 2009, when from an exporter, it became an importer of oil. I am not sure how Indonesia's reactivation of its membership will impact the price of oil, as in 2014 it was still consuming more oil than it was producing. We will check this out once it rejoins OPEC as a member by the end of this year.
4. OPEC's next group-meeting will be held on December 4th, 2015. Let us see what the outcome of this meeting is, but it is still some months away.
5. The low price of the barrel has prompted some of the oil companies in Canada to shut down their production, and others are seriously considering doing that.
6. There was news about some groundwork being done in the US for lifting the 40 year old ban on the export of domestically produced crude oil. The bill for doing so is being worked on and may eventually go through their process, and put up for discussion in the US Senate. If all goes well, the bill may be put up to the US President before Christmas. At present there are many if and buts which need to be sorted out, but should it be signed by President Obama, it would mean more than 1 mb/d of oil will be exported. This could quickly be increased to 5 mb/d in the next 10 years.

With this development then, we can just imagine the repercussions. Iran is all set waiting for the sanctions to be lifted, and will start pouring oil in the already flooded market. So what happens to the price of the barrel? Well, it does not take much to say it will drop.

7. Yesterday, I also read a news item that Goldman Sachs has revised its prediction on the price of oil to plummet to \$20, by the end of this year. Check it out at the following link:

<http://money.cnn.com/2015/09/11/investing/oil-price-goldman-sachs/>

The reasons given by them are similar to what I have said on my posts over the last several weeks.

1. More oil pumped by Saudi/Iran/Iraq and now may be the US.

2. Outside the OPEC the cost of production has been falling due to cost cutting measures and improved efficiency.
3. Slowdown in the demand from China and Europe.

Have you wondered about, why does the US need to export oil, when it is still a net importer?

The reason is that the US oil production from shales is light and 'sweet' crude oil. This variety of oil is not suitable for the US refineries, which are designed for refining the crude oil that the US imports, largely from Canada, Mexico and Venezuela. Investments to the tune of \$85 billion over the last 2 to 3 decades have been made on these refineries to handle the imported crude. To make them suitable for handling the light and 'sweet' crude would again require large investments spread over a long time.

Besides, if the export ban is lifted, the US can export the light oil to some of the European countries which are the allies of the US, and at present are dependent on Russia. So strategically also it will help the US.

So much of all this for the present. For the lighter side, I have been thinking of a topic to write on and share with you this week. Eventually, I thought of sharing a question that I have asked many of the geoscientists whom I have interviewed over the years for the CSEG RECORDER. And that question is, what are the traits of a good leader? Or simply, who is a good leader? Now I am not talking about politicians as leaders; rather about the leaders in our profession.

My take on this has been as follows:

A leader is someone whom people look up to, who is able to inspire others, who can bring about a positive change by making things happen, who can guide others at difficult times or get other people out of difficult situations, and above all who leads by example and follows an approach that can bind all individuals working under him. When the work carried out is a success, a leader will attribute it to the team, and in case of failure will take it on himself. In fact, sometimes when you hear someone speak at an event on anything, be it a scientific study or a debatable topic, in the first five minutes you can tell, if the speaker is a good leader. Such is the style or conviction of a leader.

Going by all this, do you think you have come across one or more leaders in your professional lives? Pl. do write about it.

Interestingly, I have come across a couple of them.

So much for this week!

Till the next post, stay safe and happy!